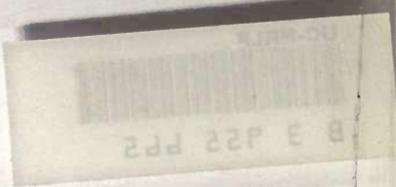


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# REPORT

OF

## THE FEDERAL TRADE COMMISSION

ON

# LUMBER MANUFACTURERS' TRADE ASSOCIATIONS

## INCORPORATING REPORTS

OF

JANUARY 10, 1921

FEBRUARY 18, 1921

JUNE 9, 1921

FEBRUARY 15, 1922

Forestry Library



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U.S. GOVERNMENT PRINTING OFFICE 1915  
REPORT  
TO  
THE FEDERAL TRADE COMMISSION  
BY  
LEWIS MINTON,  
118/22  
"a"  
FEDERAL TRADE COMMISSION.

NELSON B. GASKILL, *Chairman.*  
VICTOR MURDOCK.  
JOHN F. NUGENT.  
HUSTON THOMPSON.

II

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MARCH 29, 1922.



## **PREFACE.**

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The Federal Trade Commission collects and presents in this volume four reports dealing with lumber manufacturers' national and regional trade associations, each of which was separately issued but not printed. These reports result from an inquiry made by the Federal Trade Commission at the request of the Department of Justice.

The volume contains four parts, each complete in itself, as follows:

Part 1. A general survey of the Lumber Manufacturers Trade Association, National and Regional. The subsequent reports treat specific regional associations.

Part 2. The Southern Pine Association.

Part 3. The Douglas Fir Lumber Manufacturers and Loggers Association.

Part 4. Western Pine Manufacturers Association.

**FEDERAL TRADE COMMISSION.**

**MARCH 29, 1922.**



# CALIFORNIA

## LUMBER MANUFACTURERS' TRADE ASSOCIATION LETTER OF TRANSMITTER

LETTER OF TRANSMITTER OF LUMBER MANUFACTURERS' TRADE ASSOCIATION  
MARCH 10, 1901.

To the President of the Senate and the

Secretary of the House of Representatives:

The intention of the Federal Trade Commission has been altered to suit the congressional desire that the proposed legislation be referred to the Senate Committee on Interstate and

### PART I

## PRELIMINARY SURVEY OF LUMBER MANUFACTURERS' NATIONAL AND REGIONAL TRADE ASSOCIATIONS

Mr. Tolson, Commissioner of the Bureau of Investigation, has been appointed to the

Department of Justice, and will be in charge of the investigation of the

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## LETTER OF TRANSMITTAL.

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FEDERAL TRADE COMMISSION,

Washington, January 10, 1921.

*To the President of the Senate and the  
Speaker of the House of Representatives:*

The attention of the Federal Trade Commission has been directed to the congressional inquiry upon the subject of housing and reconstruction through the hearings before the Committee on Housing and Reconstruction of the Senate, at which time certain statements have been made respecting the activities of those engaged in the manufacture and sale of building materials.

Recently, at the request of the Department of Justice, an extensive survey of all the associations of lumber manufacturers throughout the United States has been made. The data collected, as fast as it is analyzed, is being transmitted to the Department of Justice.

The Commission, being of the opinion that certain data typifying the actions of the lumber manufacturers through their respective associations will be responsive to the congressional inquiry, submits some information which it has in its files to the Congress, pursuant to the powers granted to it under section 6, paragraph (f), of the Federal Trade Commission act, which is entitled, "An act to create the Federal Trade Commission, etc.," approved September 26, 1914.

The data herewith transmitted reveals the activities of the lumber manufacturers through their national and regional associations and shows their attitude and activities toward national legislation, amendments to the revenue laws, elimination of competition of competitive woods, control of prices and production, restriction of reforestation, and other matters.

The documents submitted are merely informative, and should not be regarded as comprehending all the information with the Commission.

By direction of the Commission:

HUSTON THOMPSON, *Chairman.*

# LUMBER MANUFACTURERS' TRADE ASSOCIATIONS.

## Part 1.—PRELIMINARY SURVEY OF LUMBER MANUFACTURERS' TRADE ASSOCIATIONS.

### NATIONAL LUMBER MANUFACTURERS' ASSOCIATION.

The lumber consumed within the United States comes from approximately 10 different regions within the United States. In each region there is manufactured a certain kind of lumber which forms the great bulk of the region's output. The principal kinds of soft-wood lumber are southern yellow pine, Douglas fir, western yellow pine, and hemlock. Our largest source of supply is the southern yellow pine region. Douglas fir lumber is next in importance. Figure 3, page 17, and Table 7, page 18, of Bulletin No. 845 of the United States Department of Agriculture, shows the relative and total amount of each kind of lumber produced in each region for the year 1918. In each region a majority of the manufacturers therein have formed an association for the expressed purpose of bettering conditions in the marketing of their lumber. These regional associations have formed a national association, known as the National Lumber Manufacturers' Association, with headquarters at Chicago, Ill. Each regional association compiles statistics upon production, market conditions in general, sales reports showing actual prices obtained for lumber, and establishes and maintains uniform grading rules. Several of them maintain a uniform cost accounting system. Various other activities are undertaken to accomplish the purpose of their organization.

The national association receives statistics upon production and consumption from each of the regional associations, summarizes the same and distributes these summaries to the lumber manufacturers through the regional associations.

The national association compiles other statistics bearing upon the lumber industry in general. It has also been very active in legislative and governmental affairs which affect this industry. Mr. L. C. Boyle, a Kansas City attorney, with offices in Washington, D. C., is employed to attend to such matters for the national association. He also represents many of the regional associations.

**Regional associations.**

The principal regional associations represented in the National Lumber Manufacturers' Association, are as follows:

1. Southern Pine Association (manufacturers of southern yellow pine lumber).
2. West Coast Lumbermen's Association (manufacturers of Douglas fir lumber).
3. Western Pine Manufacturers' Association (manufacturers of western white and yellow pine).
4. Northern Hemlock and Hardwood Manufacturers' Association (manufacturers of hemlock and hard woods in Wisconsin and upper Michigan).
5. Michigan Hardwood Manufacturers' Association (manufacturers of hemlock and hard woods in Lower Peninsula of Michigan).
6. Northern Pine Manufacturers' Association (manufacturers of Minnesota and Wisconsin northern pine).
7. North Carolina Pine Association (manufacturers of yellow pine lumber).
8. Georgia-Florida Sawmill Association (manufacturers of yellow pine lumber).
9. Southern Cypress Manufacturers' Association (manufacturers of cypress lumber).
10. California Sugar and White Pine Manufacturers' Association.
11. Redwood Manufacturers' Association (manufacturers of California redwood).

Other sources of supply are Pennsylvania manufacturers of hemlock, who have no regional association, and the New England spruce manufacturers, who do maintain a regional association.

**Regulation of production.**

The members of the national association have advocated for many years that they should be permitted to concertedly regulate the production of lumber for the expressed purpose of conserving the national resources. Extensive hearings along this line were held by the Federal Trade Commission during the year 1915. Efforts were made to induce the forest service department of the United States Department of Agriculture to aid the lumbermen in this direction. The entire plan was fully described by Mr. Chas. S. Keith, president of the Southern Pine Association and one of the leading spirits of the national association, in a letter, under date of October 22, 1915, to Daniel Howard, of Clarksburg, W. Va.

This letter was in part as follows:

You would probably be interested in a talk which I have recently had with a member of the Forestry Department of the Federal Government, who are conducting an investigation of the lumber industry for the Federal Trade Com-

mission in connection with the hearing which we recently had with that body on this subject. I am enclosing you herewith a copy of the statement which the Southern Pine people made before the Federal Trade Commission in this case, which relates to the trust acts and to cooperation.

In this connection, the Forestry Department is working along the lines that we are, and they have recently made a survey of lumbering conditions, costs of production, and all matters entering into the operations of the West Coast lumbering interests, including fir, redwood, and western pine, and are now making the same investigation as to Southern Pine. They are recommending:

1st: That the Government withdraw all of its timber from the market;

2nd: That the lumber industry be permitted to enter into agreements to produce no more lumber than the market will assimilate, regulating the supply to the consumption;

3rd: That they be permitted to enter into cooperative sales agencies, not to have more than 50% of the product in one sales agency;

4th: That they be permitted to enter into price agreements, until such time as the price agreement might become unreasonable, fixing a minimum price at which lumber shall be sold;

5th: That they be ordered to have uniform methods of accounting;

6th: That the average cost of production shall be distributed to the items produced, and that a cost list be prepared on which lumbermen may sell their product instead of upon a price list as at present;

7th: The measure of the reasonableness or unreasonableness of the price agreement to be fixed on the following basis:

(a) That the cost of manufacturing property be divided by the amount of timber behind the mill, fixing a sinking fund for extinguishment, this extinguishment in no case to exceed 20 years.

(b) That they shall charge to their operations the price for raw material based on the cost of replacement at the beginning of any year;

(c) That they be permitted to earn 12% on the original cost of the manufacturing plant;

(d) That they be permitted to earn 7% on their quick assets, such as stocks of merchandise, lumber, and bills receivable, and lastly;

(e) That they be permitted to earn 7% on the raw material, based on a replacement value.

Mr. Keith further explained that it would be necessary to advance the price on southern pine lumber \$13.75 per thousand in order to put this plan in effect, which would have been equivalent to \$196,000,000 on the whole southern pine output. This would have practically doubled the average price then in effect.

Further light upon the aims of the lumber manufacturers is shown in a letter written by Mr. Edward Hines, under date of December 9, 1916, to Mr. M. B. Nelson, of the Long-Bell Lumber Co., giving an account of a conference "with a prominent official of the steel people" about conditions in general, Mr. Hines wrote in part:

He acknowledged all this pleasantly, but added that the steel people were passing on to the ultimate consumer not alone the added cost of doing business, but also an additional profit, and that apparently the lumbermen were so disorganized, so afraid of the so-called laws prohibiting them doing anything of this kind, that we were really suffering from our own weakness. He seemed to be pretty well informed on our business. Unfortunately I had to acknowledge the

corn. We apparently all know the nature of the disease we are suffering from and also know the nature of the proper cure for it, but seem to lack the courage to take the cure. Conservatively speaking, I think all sides now are earnestly hoping for a legal relief whereby we may be permitted to get together in groups and take care of our business along the lines compatible with conditions. Our conditions show clearly that the days of individualism are gone and we are badly in need of the same treatment as the steel people were successful in having administered legally.

The bill Mr. Keith is working on at Washington, covers to my mind, pretty well the cure and I do earnestly hope that nothing will happen to him to prevent his continuing on it.

Before leaving Chicago yesterday noon I arranged to have some of the Chicago newspapers arrange to give considerable favorable publicity in the way of urging everyone, particularly the chambers of Commerce, to act favorably on the referendum vote on this measure, giving them some brief facts why it was in the interest of posterity, and to the interest of present labor and manufacturers, to unite on something whereby relief could be had for these new conditions.

It seems as if the entire lumber industry looks to Yellow Pine; if the price of Yellow Pine can be maintained, everything else apparently can take care of itself, and there should be some intelligent exchange of ideas between the Yellow Pine people, and especially the Fir manufacturers. We have got to get firmly settled in our minds, with the changed conditions taking place, that an advance of a matter of 25 or 50¢ means nothing when you face an extra cost of logging and manufacturing of more than \$3.00 and we should get an average of \$5.00 more for lumber next year to get about the same returns for our stumpage with a very small additional manufacturing profit. The trouble is the lumbermen can apparently not get into their minds what their product is really worth compared with everything that comes in competition with it. I have just heard of a recent sale of the Weyerhaeuser companies of a large tract of timber in Louisiana, and considering the price they received for it, Yellow Pine should bring today at all mills not less than a \$20.00 average, to give parties who bought this timber, any material handling, of the timber they bought. To my mind it means \$7.00 stumpage, and adding to it the cost of logging, manufacturing and selling they cannot materially make any money at less than a \$20.00 average.

#### Stumpage values and excess profits taxes.

While Congress was considering the enactment of revenue laws to provide for funds to meet war expenses, representations were made to Congress by the lumber manufacturers that in estimating their investment as a basis for computing costs they be permitted to take the market value of stumpage as of March 1, 1913, rather than the actual cost of said stumpage.

The importance of this difference was indicated in a letter of Mr. Chas. S. Keith to Mr. Wilson Compton secretary of the national association, under date of November 27, 1918, in which he wrote:

I do not think it is well, at least not psychological, to attract attention to the extent in dollars and cents to which the industry may be affected, and believe it would be better to direct attention to the inequalities produced on the basis of the situation as applied to each thousand feet of lumber produced.

There is no question the Government needs funds and there is no disposition on the part of manufacturers of lumber not to pay their just proportion of taxes, but I am afraid if it is shown there is Two Billion Dollars more invested capital in the business than the definition will permit, a deduction of ten per cent on which would mean a loss of Two Hundred Million Dollars in taxes, it might have the effect of causing the Senate Committee to conclude to let the proposition stand and permit the courts to determine whether or not the interpretation of the Treasury Department is correct or otherwise. I, therefore, suggested to Mr. Boyle that he eliminate that feature; in fact insisted upon it, but on considering the matter he agreed with me as to the desirability of not laying stress upon this point.

Secretary Compton, in replying on November 29, said:

The prominence of my mention of the amount of a billion and a half or two billion dollars as the total amount involved is rather for home consumption, so that lumbermen themselves might know what the proper solution of this revenue matter means to the industry in dollars and cents.

Replying to Secretary Compton, on November 30, Mr. Keith said:

I am afraid we may bring the attention of Congress to the loss of income, which might accrue by writing off the books Two or Three Billion dollars of invested capital, which might lead us into more serious difficulties.

The revenue law was amended as requested, so that it became necessary in the year 1919 to determine stumpage values as of the year 1913. It was necessary for the Internal Revenue Department to secure the services of a practical lumberman to aid in this work. With reference to this entire matter Mr. Boyle wrote Mr. E. A. Selfridge on March 5, 1919, as follows:

There is no man in the entire field more competent than Dr. Compton to work out a plan, and have the details worked out under his observation. Compton has the confidence of the Department and with Compton's approval on data thus gathered I am quite sure that Roper would be disposed to consider it as practically authentic. Compton could take a man like E. T. Allen and turn over to him the responsibility of working out the details of the timber phase of the general problem. For, after all, it is the raw material supply that constitutes the outstanding problem to be solved. George Ward of the Georgia-Florida Association, is a man of practical accountancy experience, now being the auditor of the Georgia-Florida Association, he has also had mill experience. To him could be turned over the auditing phase of the problem, and so on down the line. Thus we could develop as to the various regions of the industry correct principles covering questions of depletion, depreciation, and invested capital. The possibilities of the plan are unlimited.

I am telling the suggestion to you in order that I may lead up to another suggestion; Commissioner Roper will still need the services of an experienced man familiar with the lumber problem. In canvassing the field with Allen he has suggested the name of Major D. T. Mason, now connected with the University of California. I know Mason and he would be perfectly satisfactory. The query is could he afford to make the sacrifice? It is possible that Mason is tied up by contract. Now, somebody with experience and sympathetic understanding has got to take this job. Among the operators either Charlie Keith, Ed Hazen or yourself would be capable of working out the technique of the plan within the Department but, of course, neither one of you three men

can afford to leave your business. The type of men who are employed and who might be capable can not afford to give up a larger salary to take the smaller one. So whichever way we turn we are met with these serious difficulties.

One of the conferences of the lumber manufacturers with the representative of the Internal Revenue Department was described by Mr. Robert Ash, assistant to Mr. Boyle, in a letter to Secretary Compton, dated June 20, 1919, as follows:

This is to let you know the progress that has been made at the conference with Mr. Mason. Mr. E. T. Allen took charge of the meeting on the 18th and handled it in a splendid manner. The first morning was devoted to a general discussion in which it was endeavored to create on the part of the lumbermen a proper frame of mind. That unquestionably was a wise move, as there were one or two men in the delegation who seemed to have a rather hostile attitude toward the Bureau of Internal Revenue, to wit: Mr. Holt and Mr. L. C. Bell. It took some little time to make some of these men come to the realization that whatever efforts were being made were made for their benefit. The atmosphere soon cleared, however, and I believe all those present have been looking at the situation from the right viewpoint.

On the afternoon of the 18th and on the morning of the 19th the lumbermen got together without Major Mason or representatives of the Bureau and decided upon their position as regards the principal features of the questionnaire; the manner in which the individual units within the industry were to be educated that the filling in of the questionnaire was advantageous to them, if the statistics were to be available for publication by the regional associations, etc. Yesterday afternoon Major Mason was again called into the meeting and the contentions of the lumbermen as regards the principal items covered by the questionnaire were presented to Major Mason. Much to the surprise of the lumbermen, Major Mason conceded every point brought up. The question of how depletion should be computed was not brought up, it being the thought of the meeting that a brief on that subject should be carefully worked out and presented—that they should not risk having their contentions turned down in an oral discussion of the subject. It is probable that this brief will be worked out later in the meeting. This morning the meeting is taking up with Major Mason relatively small details covered by the questionnaire.

Some idea of the value of these conferences was given by Secretary Compton in a letter, dated July 2, 1919, in which he stated that these conferences have resulted in saving "certainly not less than several millions of dollars to the lumber industry and other owners of timber properties."

#### Functions of the National as seen by some west coast manufacturers.

The board of directors which control the policies of the national association are chosen from the various regional associations. There appears to have been more or less friction among the regional associations concerning policies which should be followed by the national. This is illustrated by a letter written by a member of the board of directors of the national association, who was also one of the trustees

of the West Coast Lumbermen's Association, to Mr. R. B. Allen, secretary of the latter association, under date of January 29, 1918. He wrote as follows:

A copy of Mr. E. T. Allen's letter to you of January 25th has come to my desk and it looks as though I had stirred up the animals again. I think it is about time for me to resign all around, for I do not know that any good has been accomplished because of the stand I have taken on several Association matters.

Personally, I do not believe in maintaining a Lobbyist at a salary to exceed \$10,000.00 a year and really do not believe in that kind of business anyway. I am not the kind of a man to represent our Association in the National and will probably resign. The National is beneficial largely to particularly large interests like Blodgett, Hines, Weyerhaeuser interests, etc., but what is the use of a man who does not own a foot of timber and whose interests are small and who is poor, devoting his time to such a cause.

I do not think our association belongs there anyway or that the National should be made up of regional Associations but, on the other hand, should be supported by, and its membership consist of, men who are largely operators or timber owners. It never has appealed to me and I have no heart to go ahead in work of this kind. I think it is all wrong to spend the money we are spending because we are not getting results and the Trade Extension Department is only a side issue. It is maintained and furthered in order to pacify and hold together the several Associations which go to make up the one body. Its principal function is politics and I am a mighty poor politician and do not like that kind of procedure anyway. If I can not get across on a legitimate basis, I would rather stay on this side. If I cannot keep my taxes within reason by following the legitimate course of procedure, I would rather pay more. I hate the kind of system as expounded by Hines, Keith and the remainder of that tribe and as long as I am not in sympathy, how can I be of service to our Association.

I feel as sure as can be that if I represent the West Coast Association at the annual meeting in April, I will return determined to sever the West Coast Association membership.

I think my attitude ought to be fully understood by the Trustees and the President and that I ought not to be considered eligible to attend that meeting without my present attitude of mind being thoroughly known.

Take this man Goodman; see what E. T. Allen says about him, listen to his talk, look at him, see the people he cohorts with and then sum it all up and see what is left; just a schemer, pure and simple, a man to play the game in the interests of such men as Hines. I hate it all, and am sure that as long as the Southern Pine Association is dominated by Keith and it retains its membership in the National, we will have nothing but friction and our membership will be courted for the sole purpose of holding our prestige and financial support.

I commend this tirade to your most thoughtful but generous consideration.

Replies on January 31, Secretary Allen said:

Acknowledging your letter of January 29th, have discussed the situation with Mr. Burnside and he asked me to say to you that you are not alone in your analysis of the National Lumber Manufacturers' Association and our probable future relations thereto.

From what Mr. Burnside said I infer that it is his urgent desire that you continue as a representative of this Association on the Board of Directors of

the National. I am sure that the entire membership and your colleagues on the Board of Trustees will express the same desire if there is occasion to place this matter before them.

Mr. Burnside was president of the West Coast Association at this time.

#### Government Relations Committee.

A special committee upon "government relations" was appointed by the national association. The functions of this committee were fully outlined by Mr. Boyle in his letter to Mr. Keith, dated May 5, 1919, in which he wrote in part:

To my mind, the outstanding opportunity your committee has to serve the industry and also the country at large is to so mobilize its units that they may be in a position to more adequately defend themselves against the destructive tendencies of the hour. The result can be aided by the industry being kept fully advised through your committee of Governmental activities—political, legislative and departmental—that have for their direct or indirect object invasion of constitutional guarantees. Due to this character of information the operators may be induced to pay less attention to the political complexion of a candidate for office and more attention to his standing as a bona fide American citizen—one who understands that we live under a constitutional form of government.

Mr. Boyle further referred to this committee in a letter of May 8 to Mr. Keith in which he added:

It would be unwise to spread broadcast the plan of organizing your committee and this especially if the organization is to be comprehensive of the industry, because the very magnitude of the plan would challenge attention and arouse suspicion.

#### Attitude of the national toward reforestation.

It appears that the lumber manufacturers were not always consistent in a policy of conserving our natural resources when such policy affected the lumber industry adversely. Mr. A. L. Osborn, a member of this committee on governmental relations, wrote Mr. Keith, chairman of that committee, on July 7, 1919, upon the attitude of the Forest Service toward reforestation. Mr. Osborn pointed out that the cost of reproduction for timber with an initial valuation of \$7 per thousand would be \$39 per thousand at the end of the next 70-year period, while the reproduction of northern white pine would cost \$75 per thousand. He then continued:

I believe that it should be shown that if the public plants trees, it will cost double what they ever can be worth and that it will not pay for the public to plant trees. That it will also not pay for private persons or corporations to plant trees.

The threat of a split between the Forest Service and the industry was then touched upon, as follows:

We have evidence in this office that Graves has started out for (on) a newspaper propaganda in regard to compelling reforestation.

I think the way to meet this problem is to urge him to confer with someone, presumably your Committee, in regard to the whole problem. That was the talk and spirit in the meeting of the National and I believe we ought to take the initiative to force him to come right down to brass tacks on what can be done under his proposed plan.

The theory of the lumbermen that the best method of conservation was to make lumber and timber more expensive and that the Forest Service should further that program, was then described by Mr. Osborn:

I feel that as a part of the program that he should be nailed right down to take a stand as to whether he will go before Congress and tell it that as long as timber land owners are taxed off the face of the earth and are prohibited from a restriction of production when production should not take place because of there being no need for it, that timber will be wasted, and that no plan for growing trees can be so effective as a plan for relief of the present burdens that timber land owners are under.

The question of tactics to meet threatened rerudescence of reforestation sentiment under the leadership of Forester Graves was then discussed, as follows:

I recognize that if your plan to carry the war to the camp of the reforestation crowd can be carried out that it will be effective, but I do not see very clearly how an action for libel can be brought on the part of the industry. It seems to me the industry is lied about and not the individual. If I am wrong about this it would change my idea about what plan ought to be used.

I well remember my indignation at the time Gifford Pinchot had the ear of President Roosevelt and was urging in a very loud and noisy way the same things Graves has started now in a little way. The wave of sentiment in favor of reforestation seemed to have died out after Pinchot was eliminated and I do not believe that we are at present in any great danger, but I do believe that we ought to meet the issue fairly and squarely. Let me know if I can do anything further.

I will keep you posted from time to time as to anything I get from the Forestry Department. I wish you would return for my file, the data sent herewith.

Mr. Keith, in a letter of July 9, 1919, to J. H. Kirby, president of the National Lumber Manufacturers' Association, said:

I am handing you herewith copy of letter received from Mr. A. L. Osborn today, and I think the suggestion of meeting with Chief Forester Graves should be carried out as soon as it can conveniently be done. At least we should make a request for such meeting, in pursuance to his suggestion.

If Graves continues his publicity campaign we will be in the proper position when we come to the conflict, for the following reasons, first, we have agreed to meet with him; second, a committee has been appointed for that purpose; third, that committee has requested a meeting for such discussion; fourth, Graves has, in advance of meeting and after the request for the meeting, pursued a policy propaganda in an effort to put into effect his personal ideas, in absence of any agreement with the industry. It seems to me that our position is a favorable one, in case it becomes necessary for us to "go to the mat" on the subject.

## SOUTHERN PINE ASSOCIATION.

## Antecedents.

For several years prior to the year 1914, the yellow pine manufacturers maintained a voluntary association under the name "Yellow Pine Manufacturers Association." Its headquarters were at St. Louis, Mo. About the year 1909 the attorney general of the State of Missouri instituted quo warranto proceedings against several Missouri lumber manufacturing corporations who were members of this association, charging, among other things, that this association was used as a medium whereby the prices of yellow pine lumber were fixed and the production of same regulated by agreement or understanding. This appears to have been the only proceedings ever instituted against any of the various lumber manufacturers associations. The case was strongly contested and carried to the Supreme Court of the State of Missouri. A decision was handed down in December, 1913, adversely to the association. A judgment of ouster from the State of Missouri was rendered together with heavy fines. Later, these fines were reduced and the judgment of ouster suspended upon certain conditions. Among these conditions these concerns were required to show by affidavit that they had withdrawn from the association and had agreed not to join any other association of a like character, and to sell lumber in Missouri in open and fair competition. The final decree of this court, as modified, was entered about the month of June, 1914.

This association was dissolved shortly afterward, but with its dissolution the present association, known as the Southern Pine Association, was formed by the same members who were made parties defendant to the above court proceedings. The new association took over the assets and assumed the liabilities of the old. The president and one of the trustees of the old association became directors of the new one, and a majority of the members of the old became affiliated with the new. Mr. Chas. S. Keith, president of the Central Coal & Coke Co., of Kansas City, became the first president of the new association, and held that office continuously until the year 1919. The survey of this association by this Commission reveals that the new association continued many of the activities of the old one.

With reference to the hearings before the Federal Trade Commission at the time, and apparently mindful of the action taken by the Missouri officials, Mr. L. C. Boyle wrote Mr. Chas. S. Keith on August 15, 1915, as follows:

I can not undertake to review the entire field in the scope of this letter, as I know your dislike for long letters. However, let me say this, that the Lumbermen's hearing which you originally initiated has been a great success. There has been fine publicity and if the law can help, we will have the benefit of it. The superstition as to a Lumbermen's Trust has been dispelled; it is now up

to the industry to readjust itself and get on a substantial footing. I realize that it will be necessary to take into account the State authorities of Texas and Missouri. We will have no trouble in Kansas. As far as the Attorney General's office of Missouri is concerned I know that we are all right; Barker is my friend and will be helpful. As to the Supreme Court judges, we will have to discuss that of course with Mr. Lucas. Through the help of Kirby, we ought to get a pretty definite angle on the Texas situation. Much careful work must be done, but believe me, we can solve our trouble if we go about it right and stick to it. You are about to reap the harvest of your great labors, and if there is a man in the entire industry that is entitled to credit, you are the man.

### Membership.

Official records indicate that in 1918, 60 per cent of the entire southern yellow pine production was controlled by members of this association. Eleven members of this association represent about 45 per cent of the association's production, while 24 concerns represent nearly 65 per cent of it. There are approximately 200 members of this association.

### Price activities during prewar period.

The meeting of this association held April 20, 1915, is taken as an example for this period. The action to be taken at this meeting was described by Mr. M. J. Scanlon, of the Brook-Scanlon Co., in his letter dated April 15, 1915, to their Minneapolis office in which he wrote:

I intended to leave Kentwood next Sunday morning, returning home by way of St. Louis, but received telegram today from Charles S. Keith of Kansas City, President of the Southern Pine Association, requesting that I attend a meeting of the lumber manufacturers to be held in New Orleans on the 20th. Inasmuch as Mr. Foley will not be home in time to attend this meeting, I wired Mr. Keith that I would arrange to do so. It may possibly interfere with some plans that you have for me, and if so kindly advise by wire.

I do not know that a meeting of the manufacturers at this time will accomplish very much, but prices at which lumber in Yellow Pine is being sold are so low that every effort should be made to try and get on a better basis.

Mr. Scanlon described the matters considered at this meeting in his letter, dated April 28, 1915, which was in part as follows:

Enclosed please find copy of a circular letter sent out by the Wisconsin and Arkansas Lumber Company of Malvern, Ark., with copy of our reply.

At the recent meeting of the manufacturers in New Orleans, those present stated that, unless they could at least get fair price for their stumpage, they would not be willing to put their lumber on the market at present ruinous prices. In other words they proposed to get somewhere in the vicinity of \$5.00 for their stumpage and would only manufacture such an amount of lumber as could be sold to net them that figure. One of the present troubles is, of course, that these people are engaged in the manufacture and sale of short leaf pine, while we are selling, exclusively, long leaf. After you look this letter over carefully, will be glad to hear from you. Would also like to know, at the same time, how the demand and prices have been for the last ten days.

Mr. Edw. Hines throws further light on the results accomplished by this meeting in his letter to Mr. F. E. Weyerhaeuser, of St. Paul, under date of May 6, 1915, in which he stated:

The Yellow Pine people are certainly making a strong effort now; they have advanced prices from \$1 to \$1.50 on all kinds of Common lumber and maintaining it for the past ten days. I hope you will feel warranted in putting the same advice to your various interests so that no mistake will occur.

A concrete example of the activities of the manufacturers in raising the price of lath is shown by a series of letters. Mr. Hines wrote Secretary Rhodes on December 20, 1916, as follows:

In regard to the price of Yellow Pine lath, for the life of me I cannot understand why the price of all southern woods in lath should not be materially advanced, and I think this is a subject that should have a special committee investigation and report. Take for instance the trade south of the Great Lakes, it is either Cypress or Yellow Pine and the amount of lath produced in the north is becoming insignificant and largely used in the territory from Chicago north, along the Great Lakes, and through Iowa, Wisconsin, and Michigan. We are making very little effort to sell our lath south of that from the north. Our base price f. o. b. Minneapolis, is \$4.50 for #1 W. P., \$4.25 for #1 Norway, \$4.25 for #2 Mixed and for the so called #3 about \$3.25 to \$3.50. Take for instance, Columbus, Ohio,—20¢ from Minneapolis at 500 lbs. would mean \$1.00 per thousand added to the above prices delivered. As I understand the price of Yellow Pine is about \$2.25 at the mills, kiln-dried, weighing about 500 lbs, in the same relative territory say from 26 to 30¢ rate, or \$1.50 freight would make it about \$3.75 delivered or \$1.75 per thousand less than our #1 White Pine.

This awful difference is almost criminal, and nothing else can come in that territory in competition. I tried sometime ago to have Mr. Dowman increase the price of Cypress but was unsuccessful he stating that he had to keep the price as it was to offset the price on other lath.

I think the Yellow Pine people should cooperate with the Cypress people and make a substantial increase in lath, say 50¢ to \$1.00 per thousand.

On the same date Mr. Hines also wrote R. H. Downman, of New Orleans, the leading cypress manufacturer, urging that the cypress people also advance the price of lath. He said:

Note attached copy of letter to Mr. Rhodes; briefly this gives you my idea of the conditions. Don't you think you could place this in the proper channel, whoever looks after this for the Cypress people, whereby through some co-operation, a tremendous advance could be effected, and there surely never was a time when we needed it worse than at the present.

You understand I am not complaining about the Pine situation at all as we are sold way ahead, all we can produce in the north to supply our trade, but as a Yellow Pine operator, we are selling our lath at \$1.00 per thousand less than facts and conditions warrant. It is up to the Yellow Pine and Cypress people to get together on this and I shall be very glad to do anything I can to co-operate.

Under date of December 27, 1916, Mr. Hines wrote Mr. J. S. Foley and some six other prominent yellow-pine operators, with regard to an increase in the price of yellow-pine lath to make it more com-

mensurate with the price being obtained for white-pine lath. After pointing out the rather marked difference in the prices being secured for the two kinds of lath, Mr. Hines went on to say:

Don't you think this is a subject that should call for some thought, and if on investigation you would find the above to be the facts, that something should be done whereby you would realize somewhere near what they are worth? There is practically nothing in them comparatively speaking, at the mill.

I am sure the Cypress people have not been properly advised or they would have advanced their price sometime ago, and no doubt by taking this matter up and investigating the merits of it, a reasonable price could be arrived at which would more than pay for the cost of such investigation. I would be very glad to have you take the matter up and give it some thought. I am writing along the above lines to Messrs. M. B. Nelson, Frank Wisner, W. H. Sullivan, John Kaul, J. F. Bonner, F. W. Reimer, and J. S. Foley.

Some of the parties whom Mr. Hines addressed mentioned either the prejudice of lathers in favor of white pine lath or the lack of kiln-drying facilities among the yellow pine manufacturers. Mr. Frank G. Wisner of Eastmen-Gardiner & Co., went somewhat further in his reply to Mr. Hines, stating under date of January 1, 1917:

I have handed your letter to Mr. P. S. Gardiner, who is one of the directors of the Southern Pine Association, and suggested to him that the matter be taken up with the Association Committee on lath looking to the manufacture of a more uniform grade and for the proper consideration of other phases of the subject and the giving to the members generally the benefit of the investigation.

Writing to Mr. Hines on January 8, 1917, Mr. Foley said:

I appreciate your suggestion and criticism on the lath question.

If we were able individually, to bring about a higher price, you can readily understand that we would not hesitate to provide storage room for our lath. Unless all of the manufacturers of Yellow Pine lath would look at it from the same view point, we would be obliged to take the going market price. There is very little difference obtaining in Yellow Pine lath or Yellow Pine lumber. You know that Yellow Pine has been a treacherous wood and we presume will continue to be so at times when there is no active market as at the present moment.

We believe that considerable good will result from the thought expressed in your first letter. We at least hope so.

Mr. Hines also took the matter up with Secretary Rhodes, of the Southern Pine Association, as will be noted from the following letter of Mr. Rhodes, to Mr. Foley under date of January 12, 1917:

Mr. Hines has sent me copies of correspondence with you regarding his views of handling lath. Mr. Axley, of Warren, Arkansas, is chairman of our lath Committee and, as you know, covered the matter very fully in reports which he has presented to the last two general meetings. I have requested him to repeat the subject in a report at the coming annual meeting. Mr. Axley has gone very fully into the same and I fear feels that the manufacturers have not been sufficiently interested in his recommendations. No doubt you will attend our annual meeting, and I hope you will be willing to take part in the discussion on this subject when it is presented by Mr. Axley.

This association can have nothing to do with the price of lath, but we are seeking to overcome the prejudice which exists against it in the Chicago Market, and the manufacturers will have to improve their methods if they want to hold that market.

The contrast between the scope of the movement as outlined by Mr. Rhodes and as originated by Mr. Hines is worthy of note.

The facts as to a shortage of other kinds of lath and no excess supply of yellow pine lath seem to have been brought out at the February, 1917, annual meeting of the Southern Pine Association and to have been responsible for an increase of 20 cents per thousand in the prices of Eastman, Gardiner & Co., of Laurel, Miss. This is indicated by a circular letter of February 9, 1917, issued by the company "to all salesmen," but copy of which reached the files of the Standard Lumber Co. of Live Oak, Fla. It read:

Upon my return from New Orleans, where I attended the annual meeting of the Southern Pine Association, I find that our order file on #1 Lath has increased to a total of forty-six cars, now on our books, or as many as we can ship by April 1st.

For shipment after April 1st, you may send us orders for up to five cars, on basis of \$2.50 per thousand fob our mill. This is an advace of 20¢ per thousand over our February 1st list.

There is a great scarcity of Hemlock, Spruce, Pine and other Lath, and not a surplus of Yellow Pine lath; hence, we believe you will find sale for a few cars at the advanced price.

Kindly acknowledge receipt of this letter.

A copy of the above circular was also found in the files of the Arkansas Soft Pine Bureau, a statistical exchange affiliated with the Southern Pine Association, at Malvern, Ark. Mr. C. J. Mansfield, vice president of the Arkansas Lumber Co., of Warren, Ark., immediately notified his company to raise the price of lath to \$2.50 per M., as shown by the following letter of February 12, 1917:

From the best information I have been able to get it is my judgment that our No. 1 lath are worth \$2.50 per thousand in straight cars and \$2.50 for end loading. Have wired you to that effect as shown by enclosed confirmation.

Please make these prices effective immediately upon receipt of information.

On the same day Mr. Mansfield, as president of the Arkansas Soft Pine Bureau, wrote A. Trieschman, of the Crossett Lumber Co., and to nine of the other principal Arkansas manufacturers, referring to the action of Eastman Gardiner & Co. as well as his own action, as follows:

For your information wish to call your attention to copy of letter sent out by the sales department of Eastman Gardiner & Co. under date of February 9th. You will note that they have made a material advance on the price of their lath, which are long leaf.

For your further information will call your attention to copy of letter which I have written the same department of our Warren office which expresses my views with reference to the value of Arkansas Soft Pine Lath.

**Price activities during war period.**

The following data is illustrative of the activities of the southern pine manufacturers during this period. On October 8, 1917, Mr. Edw. Hines sent out telegrams from Chicago to a large number of manufacturers as follows:

Would like to have you attend conference Friday twelfth here meet selected number yellow pine operators discuss questions higher costs production lumber operating conditions present general conditions several operators have suggested such conference also suggest your asking few other leading operators your vicinity answer who will be present.

Mr. J. S. Foley, of the Brooks-Scanlon Lumber Co., throws further light on the real author of these telegrams when he wrote on October 10, 1917, as follows:

All of the larger mills through this section received telegrams yesterday signed by Edward Hines, but in reality it is from Mr. Rhodes, who is now in Chicago and wants a conference of the manufacturers to discuss the question of higher costs of production, lumber operating conditions and present general conditions of the market.

The conditions that confront us today is such that we consider it very important, and are very much in hopes that it will be convenient for Mr. Scanlon to attend.

No doubt the West Coast condition has a direct bearing on what we find is confronting Yellow Pine and the Government's attitude toward the mills who were not cutting the ship schedules, a small amount of business being booked, that we consider a conference would result in a great deal of good, and for that reason the writer has decided to attend.

Mr. F. W. Pettibone, Mississippi manager of the Edward Hines yellow pine interests, wrote one of his salesmen on October 15, 1917, in part:

There was a meeting of mill men in Chicago Friday, and think there will be a decided stiffening in the market very shortly.

On October 18, 1917, Mr. Chas. S. Keith issued a circular addressed "To all salesmen" which was circulated rather widely among all manufacturers, and, in which Mr. Keith expressed the opinion that the bearish condition of the yellow pine market was purely psychological. In this circular he added:

The fact is that this conviction has resulted in an unjustified reduction in values, and has had the tendency to check buying and encourage stock reductions on the part of the retailer who does not desire to go into the year with stocks of lumber which have reduced in value.

After discussing the statistical strength of the market, as shown by the association reports, he said:

I have noticed a decided strengthening in the market in the last 10 days, responding to the fact that more lumber is now being sold than produced, or shipped.

He closed his circular as follows:

This analysis would seem to justify the final conclusions that instead of lumber prices being lower, the prospects are that they will advance; but profits may be less by reason of increasing costs of production.

It appears that a further meeting was arranged for October 23, 1917. With reference to this meeting Mr. F. W. Pettibone wrote, on October 25, 1917, as follows:

Referring to your wire relative to the price situation, at the meeting in Memphis Tuesday this situation was thoroughly gone into. Some new price lists are now out advancing prices. Think the market is going to firm up, especially on dimension, and you had better go along on the basis you have been working on, try our dimension at about \$1.00 off list as a general average. Would not let an order get away, would take it at the price you have been selling at a last resort, but talk higher prices all the time.

Enclosed herewith Southern Pine report No. 122. You will note that the orders are in excess of production and also in excess of shipments but it is in excess of shipments on account of the car shortage in some localities.

The meeting at Memphis developed the fact that 50% of the yellow pine lumber on hand is sold, and that the stocks are four hundred million feet lower than they were a year ago. This opened the eyes of many mill men who have been making low prices, and it is bound to stiffen the market.

Mr. Edward Hines prepared an office memorandum for his sales manager, W. B. Vanlandingham, referring to this meeting as follows:

Confidentially regarding the Memphis meeting, it was surprising on a careful diagnosis of the situation how everyone appreciated that they were selling lumber for less than cost of getting it out, and warranted everyone advancing. I am confident that Yellow Pine will be advanced two or three dollars per thousand. A committee was appointed to go to Washington to raise prices to the Government. Keep this to your self and consider it strictly confidential.

The annual meeting of the Southern Pine Association was held February 18, 1918. In arranging for this meeting Mr. W. H. Sullivan, manager of the Great Southern Lumber Co., wrote Mr. Keith, as president of this association, on January 24, 1918, as follows:

In connection with the meeting of the Association in February, would like to suggest that at least part of the session be taken up with a program similar to one that we had at Memphis, which resulted in so much benefit for the whole industry. Would suggest that we get the same men to make talks at the New Orleans meeting as spoke at Memphis: yourself followed by Mr. Hines and Mr. Scanlon.

Have been going into the situation carefully and believe that perhaps we are not on a high enough average price basis as yet, considering the advance in the cost of labor and supplies, to bring us a proper return for stumpage, and think some very effective work along this line could be accomplished at the meeting in New Orleans. Would be glad to hear from you on the subject.

Mr. Keith made reply under date of January 28, in part, as follows:

Replying to yours of the 24th inst. I was in hopes that you would come to the conclusion of holding this meeting prior to the meeting of the Association

in New Orleans, by holding it in Memphis two weeks before. I believe we could accomplish more by this procedure. So many committees will have to be heard from that it will consume much time, but so far as this is concerned I am willing to do any thing in this matter that you want to do.

In this connection I want to make a suggestion that, while I have the greatest respect for Mr. Hines, and his information is always good, I believe we ought to ask him that in making his talk he should bear in mind that any action in New Orleans will probably be under the eye of Government agents and our discussions should not take to lines of suggestion and advice to our people that they should do anything that might be construed by a court or unfriendly element as being an effort to control prices and output for the purpose of defeating the aims and purposes of Federal or State Antitrust laws. Mr. Hines has only one fault, and that is that his courage is greater than this caution.

Incidentally, Mr. Hines wrote Mr. Keith on the same day, as follows:

I read at home yesterday, your letter of January 16th to the Salesmen, and I thoroughly appreciate the tremendous strong showing you make. As explained to you when here, however, I feel that a lot of these things are lost in the main before they reach the fountainheads. The real principals do not sit down and carefully diagnose these things, and those who do, sometimes seek to take a temporary advantage by pushing their particular stock at some concessions, thinking they will have the stock sold, and have a smaller stock when conditions change. We recently had a little instance of that sort by a concern who had some cars in transit, a very large operator, who stated that they had some cars on the way but could not go farther on account of the embargo.

To my mind, as explained to you here, if five or six strong characters like yourself, from different sections, could, at the annual meeting have some definite data prepared and make some extemporaneous remarks, explaining the data and the force that should be given to accomplish results, it would be a splendid thing.

Mr. Hines then went on to criticise pessimistic discussion at the association meetings:

We should cut out a lot of this academic discussion particularly from Government officials, as unfortunately it results in a great deal of harm in the minds of a lot of the members present, as coming from some representative of the Government they feel it is absolutely based upon facts; then such discussions are given publicly as being a part of the proceedings of our meeting and giving the impression that we are in full accord with such recommendations like for instance the speech of Mr. Greeley a year ago.

The desirability of careful censorship of the meetings was then touched upon by Mr. Hines:

I believe at a meeting of such importance as the Yellow Pine manufacturers nothing should be given out without first carefully censoring it. I hope therefore that you will give this serious consideration and work with Mr. Rhodes to accomplish that purpose. You only get these fellows together once a year which I also think is a mistake, as to my mind the association should get together every three months, and a selected number should then sit down beforehand and carefully diagnose what to discuss and what thoughts to dwell upon.

The nature of Mr. Hines's thoughts and intentions with regard to southern pine is disclosed not only by the story of his activities throughout the year 1917 and the above quotations, but by his obvious desire to cooperate with Mr. Keith in bringing about organization among the yellow-pine men similar to that in operation in the northern pine and hemlock districts. He closed his letter of January 28 to Mr. Keith as follows:

Do you anticipate being in Chicago before the annual meeting? I would really like to sit down with you for about an hour and go over some of these matters to see if we cannot shape up something that will bring good results.

I enclose copy of letter I have written Mr. Chisholm of the Shevlin-Carpenter Company, Minneapolis. The so-called Broughton list has been a sort of guide in general for the Pine manufacturers for many years but recently is behind the procession. You can see that I am trying to awaken.

There will be a meeting of the Northern Hemlock & Hardwood Mfgrs. Association this week at Milwaukee, and it will certainly be a pleasure for me to attend because they are all working for the common good of all. The publicity they give out once a month brings about wonderful results.

Mr. L. B. Chipman, manager of the export department of the Long-Bell Co., commented upon the 1918 annual meeting of the association as follows:

As per your request of February 2nd, the writer attended the Association meeting in New Orleans this week.

Hines was present, giving the story of his life from 1880 to date as usual, having with him a raft of orders, telegrams, et cetera, giving the price being obtained for Northern woods, pointing out that pine is not selling within \$5.00 per M. of what it should; that the price to the Government should be advanced by this sum, etc. All of this was included in his address before the Association after which on the following day he butted into our Bureau meeting giving us an additional hour of advice and criticism, following which, I understand, he acted similarly in a meeting being held by Mr. Long, Chas. Keith and others.

From the action of Mr. Keith I take it that he believes somewhat in the position taken by Mr. Hines, he not being satisfied with the prices obtained to date.

A Committee will visit Washington early in March in an effort to secure increased prices through the Commission as above suggested, and Mr. Sullivan insists upon the writer joining them, putting it up to me to establish the export prices agreed upon in our meeting as per the attached. While these prices are the best we could agree upon at this meeting, they are inconsistent and in many instances unreasonable, and I stated that I held no hopes of sustaining such figures. That we should be obliged to accept some changes I was quite sure.

This association meeting was held in New Orleans the week of February 18. On February 19, Mr. S. B. Bissell, of the Wausau-Southern Lumber Co., of Laurel, Miss., telegraphed from New Orleans to Mr. A. J. Glassow, at Milwaukee, as follows:

Effective immediately please advance every item in list one dollar this increase will only put us in line with other leading mills and will probably be soon followed by a revision of entire list carrying additional changes lumber production this year from all fields will be far short of year nineteen seventeen and demand will probably be equally as great continually increasing costs justify material price advances Stop Cancel all outstanding quotations Stop Not anxious for great amount of business even at corrected prices.

At this association meeting Mr. L. C. Boyle delivered an address, in which he stated:

What is the present understanding? An understanding that has been achieved largely by Charlie Keith; an understanding that he has worked for—and I don't say this to flatter him, or because he is my friend; I say it in justice to him as one of your co-workers. His philosophy has been this: That if you men will get together and will know your cost, and will come to a legitimate basic market understanding of your stumpage values, you can take your cost and your stumpage and add them together and you have got the base line of your prices. Your price below that base line is loss; above it is profit. Now, we can't go above that by any agreement, but he supplements his thought with this other perfectly legitimate activity. Knowing our costs, and having a common understanding of the market value of stumpage, if we had some way of publishing our processes to the world, just as the farmer has his price published for his wheat, his grain, his hogs or his cattle, so that all farmers know the price of wheat, so that all farmers know the current movement of cattle—if we could only find some way of getting that information to all of us, that would be helpful; it would be instructive, and have a stabilizing influence. There is no illegality in stability. Your price may approximate mine, but it is in the way we reach it.

Further light is thrown on the activities of Mr. Hines toward securing an advance in price for lumber in a letter from Mr. M. B. Nelson, general sales manager of the Long-Bell Lumber Co., to his assistant, Mr. Beebe, March 5, 1918, in which he wrote in part:

Mr. Edward Hines was in the office Saturday afternoon, and had quite a long talk with him relative to prices being secured by manufacturers of other woods, and he claimed that the Yellow Pine manufacturers have nothing to fear in the way of competition from any other wood at this time, and insisted that it would be an easy matter to get a higher price for Yellow Pine if the manufacturers only realized it. I understand it is along these lines that he talked before the committee and the meeting in New Orleans recently, so you may know about it. He showed me copies of hundreds of orders which they had booked for white pine, Norway Pine, Hemlock, Birch, Beech, etc., and also contract with industrial companies for shipment throughout the year.

I would also like you to compare the figures Mr. Hines has furnished as to the selling price of the different items in the different markets, with our prices, and let me have the information together with information as to the prices of other woods based on any data you have.

During the year 1918 the War Industries Board concluded that it was necessary to fix maximum prices at which southern pine lum-

ber should be sold. Some light upon the necessity for this action is shown in the letter of Mr. H. T. Kendall, sales manager of the Kirby Lumber Co., to Mr. Ray Wiess, under date of May 2, 1918, in which he wrote in part:

Note your letter of the 27th referring to inquiries you receive from retail and wholesale dealers in the East, for material which they state is for the Government.

It is impossible to say at this time just what further instructions we will receive regarding the handling of Government business. We have been declining to quote dealers on these inquiries for sometime, as under the present ruling if we booked an order from a dealer for material which was going to the Government, we might be forced later on to change the prices to agree with the Government maximum list. These Government prices are so much lower than the regular commercial market, that we of course do not want to take any more than our share of the orders, and these we are of course getting through the Southern Pine Emergency Bureau. There is to be a meeting in New Orleans today and tomorrow for the purpose of discussing the manner of handling orders for the Government, and perhaps some definite plan will be outlined at this meeting.

As you have probably heard there is also some talk regarding the Government fixing maximum prices to the trade the same as they have on Government and railroad requirements, but the general opinion seems to be that it will be extremely difficult to put such an arrangement as this into effect.

The Southern Pine Emergency Bureau issued a circular pertaining to the same matter under date of May 4, 1918, as follows:

The purpose of the Committee was to consider the proposal of Acting Lumber Director Edgar that the price of Southern Pine to the Government be adjusted and be made the maximum to the dealer serving the consumer. The sentiment of the meeting was that if the manufacturers would improve their service to the Government through more active cooperation with the Bureau that the Government would not be anxious to further consider fixing a price that the manufacturers might charge the dealer.

\* \* \* \* \*

In order to secure greater cooperation from the Manufacturers, it was unanimously agreed that a wire request be sent at once to all mills, therefore, we wired yesterday every manufacturer that has been taking Government business from us as follows:

Southern pine manufacturers representing approximately three hundred mills yesterday in this city unanimously pledged their stocks and facilities in order that Government lumber needs shall have preference over commercial orders and they earnestly request all mills in the interest of the Government whether satisfied with price or not to patriotically do the same by promptly acknowledging receipt of this wire and trust to the fairness of the Government to do justice in the end and wish to request that immediate attention be given to all orders, inquiries and requests for stock information when received from Southern Pine Emergency Bureau.

Maximum prices were fixed and became effective June 15, 1918. The method of arriving at these prices was described by Mr. R. H. Downman, who wrote on April 5, 1919, to Mr. E. A. Selfridge, as follows:

You will remember that the price on yellow pine was fixed at \$26.50 base or average price, and as a reasonable return to them according to their own figures of costs which had been found on their books by the reports of the Federal Trade Commission and it was raised, \$1.50 per thousand, and to \$28.00 base or average price, to enable them to pay 30 cents per hour for common labor. Some of the yellow pine mills did give this 30 cents per hour, others did not. I am speaking now of the larger operations. There were few, if any, of the host of smaller mills that did pay more than \$2.00 per day and most of these operations were based on 11 hours, even some of them 12 hours. \* \* \*

Mr. M. J. Scanlon, one of the committee representing the southern pine lumber manufacturers, referred to Government price fixing in his letter of June 20, 1918, as follows:

Confirming my wire of last night will say that we agreed with the Government on prices for lumber for Government and Commercial use on the following basis B & Better \$4.00, all grades of No. 1, 2, 3, and 4 Common boards and strips \$5.50, all grades of 2" dimension \$4.00, all three inch and larger plank and timbers \$5.00 per M. On the latter item \$2.00 per M. extra when furnished in Long Leaf Yellow Pine. Above prices are in advance of the present Government list and applies not only to the Government orders but to the wholesalers and retailers as well when sold f. o. b. cars mill. This price also applies when lumber is sold to our allies but we can charge citizens of allied nations any price agreed upon.

#### Price activities in post-war period.

Immediately after the signing of the armistice a general meeting of manufacturers was arranged to be held in Chicago on November 22, 1918. At the meeting it was decided to hold to the Government maximum prices as a minimum basis. Mr. E. C. Harrell, secretary of the Georgia-Florida Sawmill Association, wired his office at Jacksonville, Fla., on that day as follows:

CHICAGO, ILL., Nov. 22, 1918.

Large number attending meeting National Association here today and wonderful optimism. Production approximately sixty per cent of normal. Stocks at mills and yards smaller than ever before, and with tremendous domestic and foreign demand manufacturers will demand maximum Goverment prices. Our territory will soon be receiving all orders they can handle, particularly railroad material.

On November 27, 1918, Secretary Harrell issued a circular letter giving further details concerning this meeting. This circular was in part as follows:

It is to be regretted that every member of the Georgia-Florida Saw Mill Association and, in fact, all manufacturers of lumber, could not have been at the mass meeting held in Chicago November 22nd and 23rd under the auspices of the National Lumber Manufacturers Association.

\* \* \* \* \*

By special request the meeting was addressed by Mr. George M. Reynolds, President of the Continental & Commercial National Bank of Chicago, the largest banking institution west of New York City, by Judge Edwin H. Parker, Priorities Commissioner of the War Industries Board, and by Mr. Harry A.

Wheeler, President of the National Chamber of Commerce of the United States, in the order named.

\* \* \* \* \*

Judge Parker expressed as his opinion that there would be no maximum prices any longer than the date of expiration of those now in effect; that personally he did not favor a maximum price list, and furthermore, that he did not think this would be necessary; that prices would be regulated altogether by supply and demand, and so far as the latter is concerned, his information was that there was not a large supply of lumber on hand, and that production could not be materially increased for some time to come; and that the lumber demand would tax the resources of the lumber manufacturers for a long time.

\* \* \* \* \*

There were expressions of optimism as were possibly never heard before; manufacturers, dealers, both wholesale and retail, in looking forward to the greatest business that has ever been experienced. The manufacturers reported smaller stocks than for many years; dealers, that there were no stocks to speak of, and, in fact, it was stated on the floor that yards were for practical purposes, swept bare.

Manufacturers realize that it is a physical impossibility to produce lumber for less costs than prevail at the present time, and Mr. Long, of the Long-Bell Lumber Company, expressed the sentiment of all present, that the manufacturers could not afford it, and in fact, would not accept a lower price for their commodity than prevails at the present time.

It seemed to be the belief of the Chicago meeting that there might and possibly would be a short period of inactivity, the Holiday season was approaching and that buying would not be active during the Holiday and Winter season, also, that it might, be a season of marking time, and that within a few weeks at the longest, buying would become of sufficient volume to satisfy everyone provided there was no reduction in Government maximum prices; if price concessions begin by the manufacturer; dealers will immediately withhold buying and wait until there are still further reductions. The moral of this is manifestly clear.

Mr. E. J. Hurst, sales manager of the J. J. Newman Lumber Co., of Brook Haven, Miss., also commented upon this meeting in his letter, dated November 27, 1918, in part as follows:

There was a very enthusiastic meeting in Chicago, and regret I did not see you there. Everyone feels that before the manufacturer can accumulate anything like a normal stock, the trade situation will be lined up in some definite shape and there will be an enormous demand for lumber before many months. It would seem from the sentiment developed at the Chicago meeting that the manufacturers are a unit on the policy of holding their stock at Government prices, which will remain in effect at least until December 23rd, and that there will be no special effort to book orders until there is a better assortment of stock in the hands of the manufacturers, which will require several months, as stated in your letter, and in the meantime, conditions are bound to right themselves, and there will be plenty of business for all.

When maximum prices were fixed by the War Industries Board for lumber a limitation of time was included in the order. The order in effect at the time of the armistice expired by its own limitation on December 23, 1918. During the early part of December, of that year, the various lumber manufacturers exchanged tentative price

lists with each other. It was arranged to hold a meeting of yellow pine manufacturers at St. Louis, Mo., on December 19, 1918, under the auspices of the Southern Pine Association's Committee on Sales and Distribution.

Mr. Austin, chairman of the committee, wrote the St. Louis office of the Pickering Lumber Co. to arrange hotel quarters for the meeting and added—

As stated above, I expect you to help me carry the burden of the responsibility so that those who attend will not be escorted to jail by some of your handsome St. Louis policemen on account of our efforts to break the law.

In reply, under date of December 16, the St. Louis manager stated that the Hotel Statler would be ready for the meeting, and added:

Why would it not be a good idea to have the meeting in the jail to start with, then you would not have to bother at all.

On December 16 Secretary Rhodes issued a circular to each member of this committee in part as follows:

It is needless to emphasize the importance of many subjects to be considered in connection with the future market conditions and trade extension. These will all be discussed at a meeting of the Committee on Sales and Distribution which has been called by Chairman J. H. Austin to be held at Statler Hotel, St. Louis, Mo., Thursday, December 19th, beginning at 10 A. M.

I sincerely trust it will be possible for you to be present and know you will exert every effort to do so.

A program as arranged by Mr. Austin, chairman of the committee, included the following:

General discussion of those in attendance regarding present conditions and future prospects and their effect upon the sale and distribution of our product.

Note.—This discussion to be carried on in the following order: M. B. Nelson, Geo. E. Townsend, Harry T. Kendall, C. R. Burgoyne, O. O. Axley, M. J. Hale, W. M. Beebe.

Following this discussion recommendations will be accepted by the Committee covering points that may arise in the future which will effect the sale and distribution of our product.

The official record of this meeting shows that among those present was Mr. W. B. Vanlandingham, sales manager of the Edward Hines Lumber Co., of Chicago. On the day of the meeting Mr. Vanlandingham telegraphed Edward Hines from St. Louis, as follows:

Prices advance one to three dollars all items but timber no changes that item send Crowell Spencer purchase two five three.

Mr. Vanlandingham went more into detail concerning this meeting when he wrote on December 23, 1918, as follows:

The writer attended a meeting of the Sales Managers Committee of the Southern Pine Association held in St. Louis last Thursday, and it developed that all those in attendance reported that their stocks were under 60 to 70%

of normal, and all expect to advance their prices on the 23d, that is to-day, the advances running from \$1.00 to \$3.00 per M. on all items with the exception of timbers and #3 Boards. Timbers are considered to be about in line with the demand. #3 Boards seem to be in surplus, and some of the mills are willing to make a little concession off the Government price in order to move them.

Mr. C. E. Klumb, sales manager of the Finkbine Lumber Co., wrote Mr. H. I. Isbell, of Elkhart, Ind., on December 21, 1918, as follows:

The writer just got back from a meeting of the Sales and Distribution Committee of the Southern Pine Association held in St. Louis Thursday and Friday. There were present representatives from sixteen of the largest Southern Pine Mills—both Long Leaf and Short Leaf. We exchanged information on the amount of stock on hand and at the mills, and after tabulating it discovered by actual inventory stocks are 52% below normal, and production about 2/3's normal. All of the mills have from 45 to 120 days timber cutting on their books and each mill is short of stock with the exception of #3 and #4 common, which seems to be normal, or above with most concerns. The consensus of opinion on prices is that conditions justify an advance of at least \$2.00 on dimensions. \$1.00 to \$2.00 on Boards, considering each mills condition on that item and an average of \$1.00 on the left hand side of the lists. New price lists will be out the first of next week carrying these advances.

It developed that the wholesalers had no stock of lumber bought as they usually do at this time of year. Dry stock seems to be hard to get at any price. The meeting included some mills not members of the Association.

We will get out a price list Monday along the lines of the above with adjustment in accordance with our own stock and ideas. I am in somewhat of a hurry this afternoon and will write you further next week.

The sales manager of S. H. Chatten Lumber Co., of Kansas City, wrote one of its affiliated concerns, the Union Lumber Co., Union Mills, Wash., on December 27, 1918, in part as follows:

Further in reference to the yellow pine conditions, wish to advise that a meeting of the Yellow Pine Sales-Managers, held in St. Louis a few days ago, at which all the large mills in the South were represented, it developed that the stocks at the mills run all the way from 40 to 80%, and the feeling in that 50% is a fair basis of stocks on hand at the present time.

There is no dimension at all. Everyone is keeping away from this stock as much as possible, and limiting themselves on dimension to not in excess of 25% of the stock in the car. Prices on dimension are now from \$2.00 to \$4.00 over the old government prices, which expired on the 23d. 16-ft. dimension and some items of other lengths are \$4.00 over, and all of it is from two up to four.

On December 24, 1918, Mr. Austin, chairman of this meeting, wrote Mr. E. J. Hurst, secretary in charge of this meeting in part as follows:

This will acknowledge receipt of your letter of the 21st instant, enclosing memo. of condition of stocks at mills who were represented at our recent meeting. I would like very much to send a copy of this report to all those attending, but do not think it would be advisable to do so without first referring the matter to Mr. Rhodes. I will take the matter up with him today and if agreeable will later send the list to those present at this meeting.

On the same day Mr. Austin, wrote Secretary Rhodes, in part as follows:

After adjourning of the recent meeting of the Committee on Sales and Distribution held in St. Louis December 19th, we discussed informally condition of stocks on hand at the mills represented with the result which you will find on the sheet attached. I have refrained from including this information with the report of this Committee which will be sent out to all those attending and would like to have you advise if it would be agreeable to distribute this information to all those who attended the meeting.

In replying please be kind enuf to return the attached list and oblige.

Secretary Rhodes replied under date of January 2, 1919, in part as follows:

Replying to yours of the 24th with list showing the conditions of the Stocks reported by the various mills which I return.

I see no objections to sending this list to those who were present at the meeting of the Committee on Sales & Distribution. The information is a simple statement of the facts as they exist, and we have a perfect right to disseminate information of this sort.

The official minutes of this meeting did not contain any reference to the discussion of prices. Nevertheless a mimeographed transcript describing a meeting of the committee on sales and distribution on December 19, 1918, was found in the files of some prominent manufacturers. One of the Commission's examiners describes this transcript as follows:

These minutes were printed on some duplicating machine and even the name E. J. Hurst, Sec. was printed in that manner, it was in four loose sheets, attached, by wire paper clip same kind that holds this letter together; under this clip on top of the minutes was a four small paged price list. This price list, evidently was printed on the same duplicating machine, which printed the minutes, because the color of the ink and the type is very similar. The price list has two punch holes in it, but in the center of the paper it is fastened together with a permanent, tight fixed clip. All four pages of price list are folded in the same place and manner tending to show that after being clipped together they were placed in envelope and mailed.

The actual market for yellow-pine lumber immediately after the expiration of the Government price fixing period was described in the Lumber Trade Journal, of New Orleans, in its issue of January 15, 1919. The editor of this paper wrote a large number of manufacturers on January 6, 1919, substantially as follows:

There seems to be considerable ignorance among the smaller sawmill men as to what prices are prevailing in yellow pine. We can see no reason why prices should not be higher than the Government list that expired on Dec. 23.

Will you please send us your list and stock sheet to aid us in getting up an article for our January 15th issue.

The results were printed in the issue of January 16 under the caption "Smaller Manufacturers of Yellow Pine are Requested to

Note the Fact that Prices Secured are Higher than Government Basis." The article then proceeded:

Letters from more than 100 yellow pine manufacturers in the South not only indicate that stocks of lumber on hand at the mills are badly depleted but that the assortment is the worst in years and that production is always below normal and will remain so for the remainder of the winter and possibly during the entire year. In addition these reports indicate that prices are averaging well above the maximum government price lists, which expired Dec. 23d, with but a few items either remaining on the old basis or a little below.

The answers coming to letters sent out arrived a little late to permit of proper analyzation in this issue but they are sufficient unto the purpose to prove beyond the shadow of a doubt that the government price basis was not only too low to permit of a profit to the mills during the last three months they were in effect but too low for any manufacturer to make a profit since the government retired from the field of price making.

The one great feature that permeates the answers is that prices since the government retired from price making, have advanced from one to five dollars above the government basis. A few manufacturers claim to be securing the \$5.00 advance, which is principally on timbers. The demand is shown to be away above the average for this period of the year, this being normally the dull season. Labor conditions are generally bad as to its scarcity, while logging operations are in worse condition than in years.

A resume of statements and conditions by states will afford an excellent idea of conditions as they really exist and give the small manufacturers a working idea as to the necessity of his asking and demanding a price in excess of that of the maximum government price basis as it is generally referred to.

It should be recalled that during the early part of the year 1919 the Industrial Board, which was organized under the supervision of the Secretary of Commerce, proposed that there should be a reduction and stabilization in the prices of building material, including lumber. The southern pine manufacturers considered this question and adopted a resolution at a mass meeting held in New Orleans on April 2, 1919, as follows:

It is contrary to the best interest of the public and of the industry from both a legal and economic point of view, to enter into any agreement, and the Secretary of the meeting be instructed to wire their decision to the Industrial Board of the Department of Commerce, and Mr. John H. Kirby, is requested to confirm it by letter.

Further light upon the discussion upon the adoption of this resolution is shown in letter from Mr. Chas. S. Keith in which he wrote in part:

Your protest against price agreement, received by Mr. Rhodes at New Orleans, was a full and complete confirmation of the position which I also took, to-wit: I gave notice that if any group of lumbermen agreed with the government to put into effect a basis of prices less than that which my company had been receiving, and by reason of artificial competitive condition thus created my company was forced to accept a lower basis of prices than it otherwise would have obtained, we reserved the right to proceed under the provisions of the Sherman Law to recover triple damages for the loss sustained. My purpose in doing this I sup-

pose was similar to your own purpose in making your protest. I was quite confident of the action which the Southern Pine mass meeting would take on the question, but was more or less afraid of what some group of men might feel it politic to do in the matter of agreeing with the administration, which would be productive of a condition injurious to the industry.

Bearing on this feature of the situation, I am reminded of an incident which transpired after my return home. A friend here in Kansas City, whom I see most every day and who sits in with us at our daily round table, overheard a discussion of conditions between lumber manufacturers and other business men. This friend had heretofore been converted by our arguments as to probable market conditions and had taken advantage by laying in considerable stocks of lumber before the expiration of government fixed price. He stated that if the suggestion of the Industrial Board as to reduction of lumber prices had been put in effect it would have cost his company \$40,000. I asked him what his attitude would have been had we agreed with the government reduction, and he replied that he would have felt strongly inclined to proceed against those who entered into the agreement to recover the amount of the damage sustained.

Therefore, it would appear that our action in New Orleans on April 2d was wisely taken.

#### Prices and margins of profit.

The following data would indicate that the current market price for lumber has almost continuously shown a reasonable margin of profit to the manufacturer. It should be noted that as a part of the cost of production the manufacturer includes a charge for stumpage, which usually gives to himself as the owner of the timber a substantial margin of profit. With references to the reasonableness of prices in 1915, Mr. K. E. Jewett, of the Finkbine Lumber Co., wrote Mr. W. M. Beebe, of the Long-Bell Lumber Co., on November 5, 1915, in part as follows:

From our experience in Mississippi I cannot quite agree with you that the present price does not pay a reasonable rate of interest to stumpage holders, and if we could maintain the present price we would be abundantly satisfied with our operations in the South. \* \* \*

If your supposition is correct that you will be able to maintain an \$18 mill average for at least the first half of next year, I do not believe that stumpage holders could feel that their investment is not satisfactory.

A year later, viz, December 19, 1916, Mr. Edward Hines wrote Mr. M. B. Nelson, sales manager of the Long-Bell Lumber Co., upon the same general subject in part:

I have just heard of a recent sale of the Weyerhaeuser companies of a large tract of timber in Louisiana, and considering the price they received for it, Yellow Pine should bring today at all mills not less than \$20 average, to give the parties who bought this timber, any material profit in the handling of the timber they bought. To my mind it means \$7 stumpage, and adding to it the cost of logging, manufacturing and selling they cannot materially make any money at less than a \$20 average.

Comment upon the margin of profit to the southern pine manufacturers during the war period was made by Mr. R. H. Downman, a

member of the Price Fixing Committee of the War Industries Board, and himself the most prominent cypress lumber manufacturer in the country, in a letter dated December 4, 1918. In this he commented upon the address of Mr. Chas. S. Keith at the Chicago meeting on November 22, 1918, in part as follows:

By the way, I notice in Keith's talk before the meeting in Chicago that he now calls stumpage values "Capital Conversion." If he can keep up his "Capital Conversion" on the basis of \$9.00 plus, from now on he will certainly create a tremendous prosperity in the yellow pine industry and one that I do not believe the public will stand for very long, and it unquestionably cannot be brought about unless, and until, the government passes such laws as will enable them to create a trust in the yellow pine business. This, of course, I do not believe Congress will ever stand for. Of course, I regret my belief that through the action and attitude of the yellow pine crowd during the war period in Washington it has gotten them into such a position that it will not get any favorable recognition in Washington, not even if they were to keep all the Boyles and Hagemans in the industry there. The great regret to me is that their activities are going to reflect on the balance of the lumber industry in this country.

Many of the leading yellow-pine manufacturers continually urged that the prices for lumber as fixed by the War Industries Board and the current market prices during the early part of the year 1919 did not show a reasonable profit over cost of production. Mr. C. V. Edgar, who was a prominent yellow-pine manufacturer and a member of the Price Fixing Committee of the War Industries Board, took a different position in his letter to Mr. R. H. Dowman. Mr. Edgar wrote in part on April 9, 1919:

When I tell you that the Wisconsin & Arkansas Lumber Company has to pay a tax to the Federal Government this year of \$259,000 amounting to 52.7% of their total earnings, you no doubt will realize how ridiculous some portions of Mr. Kirby's statement to the Industrial Board seem from my view point.

With reference to prices obtained for lumber during the summer of 1919, Mr. L. S. Case, manager of the Weyerhaeuser Sales Co., of St. Paul, wrote on September 2, 1919, in part:

We have had a most astonishing development recently in Yellow pine. I was really reluctant to believe that Long-Bell, Keith, Buchanan, etc., were actually getting the tremendous prices they said they were for Yellow Pine. Recently the Southern Lumber Co. came into the market with a small amount of stock and the latter part of last week our salesmen sold a tremendous quantity of their lumber and it looks as though the Southern Lumber Co. would have to go out of the market again very soon. The orders came from all sections of the country, from Nebraska to New York. We actually sold B & Better Yellow Pine Flooring in Nebraska last Saturday at \$93.00. The corresponding grade in V. G. Fir we were offering at \$65.00. I cannot understand it at all, but have about decided either I am crazy or else the rest of the world is crazy.

The following table shows the average realization, average costs, and average margin per thousand feet of the Kansas City group of

southern pine manufacturers for the years 1915 to 1919, inclusive, and average price and margin for May, 1920, as compared with average costs for the first three months of 1920. The realization figures for 1915 to 1919, inclusive, were compiled by A. A. Davis, statistician of the Kansas City Exchange, a bureau affiliated with the Southern Pine Association. The cost figures used are those compiled by Mr. Charles S. Keith, chairman of the association committee on accounting and statistics, from 28 representative concerns operating 60 mills. The table and other explanatory footnotes follow:

	1915	1916	1917	1918	1919	May, 1920
Realization.....	\$13.40	\$16.28	\$23.00	\$28.10	\$35.06	<sup>1</sup> \$55.00
Costs.....	14.49	14.39	16.58	22.69	26.12	<sup>2</sup> 28.65
Margin.....	-1.09	1.96	6.42	6.41	8.94	26.35

<sup>1</sup> Average realization for spring of 1920 according to statement of Chas. S. Keith, May 5, 1920.

<sup>2</sup> Southern Pine Association cost figures average for 1919, including stumpage average, \$5.24 (November missing).

Average costs for January, February, and March, 1920, from Southern Pine Association official reports

At various times during the past year or more the lumber manufacturers have given more or less attention to the question of stabilizing the price of lumber. The mental attitude of some lumber manufacturers in stabilizing prices for lumber is probably fairly well illustrated by the following telegram sent by Mr. Edward Hines from Washington, D. C., on February 28, 1920, to Mr. E. G. Griggs, of Tacoma, Wash. This telegram was as follows:

[Western Union Telegram.]

WASHINGTON, D. C., 10:16 AM

February 28, 1920.

E. G. GRIGGS,

St Paul & Tacoma Lumber Co., Tacoma, Wash.

Very confidentially my associate now California wired for my opinion about possibility of taking action as evidenced by your inquiry. I wired as follows:

"General lumber prices today no higher and many cases not so high as all commodities that come in competition with lumber or where used. Farming community receiving higher prices for their products relatively than lumber selling for and never more able financially to buy lumber. Same condition all manufacturing lines using lumber for increased facilities or where lumber is integral part of manufacture. Rents in all large cities have advanced forty to seventy five percent hence are able to buy at present prices for building. On basis present prices trade satisfied to buy. Think would be serious mistake to offer reduce prices but am of opinion it would show broad gauged policy to stop further advance but not lower prices. Trade unprecedented for actual consumption. Believe good policy try stop selling wholesalers who are merely speculating in lumber which gives wrong impression manufacturers attitude. Have every confidence all lumber produced this year will be wanted at present prices. Reasonable people satisfied to pay present prices. My advice stabilize present prices but not reduce. Western prices are more than yellow pine northern pine or hemlock. Lowering prices now would be misleading to public as re-

gards actual conditions giving wrong impression but stabilizing in public statement would be beneficial to industry and satisfy public opinion that prices reasonable and not influence stop buying. It would give erroneous idea to reduce prices when impossible to ship sufficient to satisfy present demand at present prices. This is the course individually we are going to pursue. Knowing eastern buying and consuming situation and meeting as many buyers as I have lately think it equitable course to pursue.

### WEST COAST LUMBERMEN'S ASSOCIATION.

#### Membership.

This association is composed of approximately 200 manufacturers of Douglas fir lumber in western Washington and Oregon. The membership of this association represents approximately 90 per cent of the entire production of Douglas fir lumber. This kind of lumber formed about one-fourth of the total production of softwood lumber for the year 1918. Part 1 of the Bureau of Corporations' Report, published in 1913, shows that in the State of Washington, west of the Cascade Mountains, 2 holders controlled nearly 35 per cent of the total standing timber; 5 holders controlled nearly 45 per cent; 12 holders controlled 51 per cent, and 31 holders controlled about 60 per cent of the total. In Oregon, 2 holders controlled about 23 per cent, while 7 holders controlled more than 37 per cent; 13 holders about 45 per cent, and 21 holders controlled 51 per cent of the total standing timber.

#### Price activities.

Part IV of the Report of the Bureau of Corporations contained the early history of this association and disclosed its price activities at that time. The same activities were continued, with slight modifications, down to the time of the present survey. The association, through its officers and committees, prepared basic price lists showing the relative value of the different grades and dimensions of lumber. Such basic price lists were published early in the year 1915 and again about January 1, 1919. These basic lists were copyrighted in the name of the association.

The basic price lists were not regarded as prices current, hence it was necessary to have some method of providing uniform discount sheets applying to this list. Prior to our entry into the World War, such discount sheets were prepared at regular association meetings. The following portion of an official circular distributed by Mr. Thorpe Babcock, secretary of the association, on October 19, 1916, is cited as illustrative of the general method of vogue at this time. In this circular it was stated that:

At a meeting of lumber manufacturers held yesterday in Tacoma, a survey of conditions was taken and it developed that the car shortage was very general, with no districts being favored, and probably not to exceed 25% of the

requirements being furnished. All present reported a very healthy demand; in fact the chief trouble seemed to be to avoid accumulating orders in unreasonable proportion to shipments and at the same time satisfy regular customers. It was reported that a strenuous effort is being made among large yard buyers to place orders for future specifications and delivery, but that there was no tendency on the part of the mills to accept this business, every one anticipating sharp advances. A number of those present reported that they were quoting prices above discount 12 in order to keep from accumulating orders, and at that were receiving business and getting behind in shipments. As a result of all this information, it was unanimously the opinion that in order to reflect the strength of the present market, discount 13 would have to take the place of number 12 and should be at a flat advance of one dollar on all items. Accordingly this discount is being prepared for a market guide and will reach your hands immediately.

These basic lists and discount sheets were printed by Kane & Harcus, printers, of Everett, Wash. The discount sheets did not disclose that they were prepared by, or under the direction of, the association, but merely contained the name of the printers, the discount sheet number, the base list to which they applied, and the date of issuance.

During the year 1918, the War Industries Board fixed maximum prices at which Douglas fir lumber should be sold. The order fixing this maximum price expired by limitation on January 15, 1919. At this time, discount sheet No. 24, applying to the 1915 basic list, was in effect. A meeting of fir manufacturers was held at Tacoma, Wash., on January 24, 1919, at which a new discount sheet was ordered printed. Mr. E. R. Hogg, president of the Atlas Lumber Co., and a prominent manufacturer, wired Crossett Western Lumber Co. on that day, as follows:

Discount twenty-five advances following items one dollar slash grain flooring ceiling drop siding boards ship lap and two inch dimensions All other items same as twenty-four New base list will be out about two weeks when new discount card will be necessary.

The new basic list referred to and described as "Rail B list" was issued immediately after this meeting. A new discount sheet, known as "Discount sheet No. 1 applying to Rail B list," was issued as of January 25, 1919. The net prices shown by this new discount sheet were identical with the net prices as shown by discount sheet No. 25 applying to the 1915 basic list.

Discount sheet No. 2 was adopted at a regular association meeting held at Tacoma, Wash., on April 8, 1919. On April 3, 1919, Mr. R. B. Allen, secretary of this association, wired the S. H. Chatten Lumber Co., of Kansas City, a prominent southern pine manufacturer, as follows:

Meeting of industry Tacoma April eighth What are competitive prices based on actual sales Kansas City territory Is there any change from the

figures previously given Barometer today shows orders fifteen million feet in excess of production one twenty-one mills.

Mr. C. O. Fields, of the S. H. Chatten Lumber Co., wrote Secretary Allen on the same day, giving the information desired. At the same time he wrote an extended letter, in which he stated:

The only possible thing that has held the price of yellow pine lumber where it is today is the fact that the manufacturers of fir lumber do not seem to realize their material has any value and that the present prices are not made to meet competition of other lumber. \* \* \* Prices on fir lumber should be at least \$3.00 per M higher than they are at this time. You would sell just as much lumber, if not more, at higher prices as you are selling on the present prices.

\* \* \* We would personally like to see about 95% of the fir manufacturers "wake up" and realize that they are simply competing with themselves. \* \* \* All of the low prices that have been made in Kansas City have been made by the fir fellows themselves. \* \* \* The best thing for the manufacturers of fir to do is to eliminate entirely the commission men or else give them ironclad prices and put their prices on the basis of what the lumber is worth.

Mr. E. R. Hogg was chairman of the April 8th meeting. Mr. Hogg wrote Mr. Chatten of the S. H. Chatten Lumber Co., on April 9, 1919, a letter in which he stated:

Your boys will no doubt write you, or possibly have wired you, that we had a most profitable meeting of the industry at Tacoma yesterday, at which time we discussed many things of great interest to the lumber business.

Of particular interest at this meeting was an exhaustive statement made by Mr. Moore, our accountant (the expert accountant employed by the Association to get up the cost accounting statistics) which, by the way, you ought to join. He showed us where our costs were nearly \$3.00 per M more than our average selling price. Other talks were made bearing on this subject and others of interest, with the result that I came home from that meeting and have instructed the printer to get me out a discount sheet No. 2 from Rail B list, advancing a good many items.

The advances in price made by this discount sheet were as follows: Common boards and two-inch dimensions, \$1.00; No. 2 and better drop siding, \$2.00; 6-inch No. 2 flat-grain flooring, \$2.00.

Discount sheet No. 3 was issued at a meeting held May 1, 1919. Concerning this meeting, Schwager & Nettledon, of Seattle, Wash., wrote to the John Schroeder Lumber Co., of Milwaukee, Wis., on May 3, 1919, in part:

In view of the demand for yard stocks, at an Association meeting held at Tacoma, Washington, day before yesterday, prices on practically all items were advanced. We presume you are familiar with Rail B list and discount sheets No. 2. At the Association meeting all vertical grain flooring, stepping, 5/8 inch ceiling and corn cribbing were advanced \$2.00 per thousand; all A. G. flooring, one inch ceiling, common boards and small plank were advanced \$1.00 per thousand over discount sheet No. 2. Timbers were advanced to a \$25.00 f. o. b. bill base on 12 x 13. We are inclined to believe that these advanced prices can be maintained with the exception of the prices on the timbers.

Discount sheet No. 4 was issued as of May 13, 1919. On May 15, Charles R. McCormick & Co., of Portland, Oreg., wired the Edward Hines Lumber Co. as follows:

Mills yesterday decided to get out discount sheet four this as advance over discount sheet three of three dollars per thousand on all items with exception stepping advanced five dollars twelve inch boards four dollars small timbers two dollars large timbers remain same lath one twenty-five advance.

In confirming this wire, McCormick & Co. added:

We really think the mills are overdoing this price-raising, and they are apt to have a reaction.

Mr. E. R. Hogg wrote Mr. E. D. Kingsley, of the West Oregon Lumber Co., on May 14, in part:

Since I last saw you the market looks to me very much better than it did at that time, and I have discussed the matter with a number of manufacturers in this section of the country, with the result that we are writing our salesmen to advance prices two dollars per thousand on one inch and two inch common, and three dollars on twelve inch boards and three dollars on all other items. I do not know how the Oregon people will look upon this advance, but from every point of view it looks to us up here as though it were justified.

Discount sheet No. 5 was issued under date of May 28, 1919. A meeting of the fir manufacturers was held on that day. On the day prior to the meeting, Charles R. McCormick & Co. wrote the Edward Hines Lumber Co. as follows:

We have your favor of the 23rd. We enclose some discount sheets No. 4. We will no doubt be wiring you tomorrow of further advances the mills contemplate, although in talking with one of the mills at Everett today they were in hopes that they would not raise prices and if they did, that they would not raise them beyond a dollar. However, it remains to be seen what the radicals do.

On May 29 McCormick & Co. again wrote:

Mills yesterday made following advance over discount sheet four, Rail B List: 4 inch slash flooring, \$3.00 advance; 6 inch slash flooring, \$2.00 advance; 6" x 4" ceiling, \$2.00; 1" x 4" ceiling, \$3.00; 1" x 6" two and better drop siding, \$2.00; 1" x 6" three drop siding, \$1.00; Corn Cribbing, \$2.00; 1 x 8-10 and 12 inch boards and ship lap, \$2.00 advance; All items cedar, \$2.00 advance.

On May 31 Mr. W. H. Boner, of the Weyerhaeuser Timber Co., of Everett, Wash., issued a bulletin to their salesmen in which it was stated:

The lumber market here on the coast seems to be pulling beyond control of any one. Discount sheet No. 5 has been issued by some of the mills, but only with the thought of leveling up prices although there seems to be some talk of another advance, which, personally, we are opposed to, but the aggressiveness of labor and possible advance in logs may make it necessary.

On the same day Mr. Boner wrote the Weyerhaeuser Sales Co., of St. Paul, in part:

We are today sending you a supply of discount 5, which it was decided by a majority of the manufacturers on the coast, should be put into effect immedi-

ately. \* \* \* The advance, at the time it was made, did not appear to be called for, although the Committee on Values merely leveied up the prices of fir lumber to a competitive basis with yellow pine, based on the Kansas City and Chicago rate of freight.

Mr. J. H. Bloedell, of the Bloedell-Donovan Lumber Mills, wrote Mr. Charles S. Keith, of Kansas City, a letter on June 5, 1919, in which he stated:

We recently issued Discount No. 5, advancing slash grain flooring \$3.00 and boards and some other items \$2.00 per M feet. We figure that this discount will realize between \$20 and \$27 per M feet of the average mill run product—the best the industry has been able to do except in the summer of 1918, when ship-building orders and airplane stock brought the average sales to \$30.00.

At this meeting a committee on values was appointed, with Mr. Thorpe Babcock as chairman. Mr. Babcock, in defining the duties of this committee, wrote as follows:

The idea behind the appointment was that this committee should watch conditions carefully, and by study of markets, competition, supply and demand of competitive goods, and other such features influencing our own business, would be in a position to advise the industry from time to time the conditions surrounding the marketing of our own products.

Chairman Babcock called a meeting of this committee at Tacoma, on June 11. In the meantime, each member of the committee sought to procure information for use at this meeting. The extent of the advance made in prices at this meeting is shown by letter of the Portland Lumber Co., of Portland, Oreg., to the Interstate Lumber Co. of Denver, Colo., on June 12, in which it was stated:

For your information, wish to advise that Discount Sheet No. 6, showing an advance of \$3.00 over No. 6 (5) on all items, is being published today. The market is considerably stronger and we would advise that you figure your prices as closely to No. 6 as possible.

On June 18, 1919, Mr. Howard Jayne, of the Willapa Lumber Co., and who was a member of this committee on values, wrote Chairman Babcock in part:

With reference to the work of the Price Committee of the Association, I am afraid my ideas are not in accord with the committee, in that I personally feel quite opposed to coming out with so many discount sheets, with such radical advances.

It seems to me the market is in a shape where it is profitable to all parties concerned on a basis of discount sheet No. 5, and that from that point on it should be a case of the mills asking a price commensurate with their stock on hand and their ability to deliver it. Perhaps it is true that Discount Sheet 6 conforms to present market conditions, in fact, we have sold items on that basis; nevertheless, we believe concerted action on the part of the mills should be dropped from now on.

Chairman Babcock replied in part as follows:

The funny part of this is that I fully agree with you, and so does every one else; but if you had attended committee meeting, you would, I think,

have concurred in the opinion that 6 was the only answer to this most peculiar situation. I expect to be in Portland next Friday for Association Trustees meeting, and would like to discuss this with you. It is too big to handle in a letter. Logs and labor are chasing the discount sheets here. There is still doubt as to which will get there first.

No other uniform discount sheets were officially issued during the year 1919. The committee on values, however, was very active during the remainder of the year. During the month of October, 1919, various meetings were held and information exchanged by correspondence. Discount sheet No. 6-a was prepared by Kane & Harcus, printers, as of October 29, 1919; but same does not appear to have been distributed. The following telegram from Secretary Allen, from Washington, D. C., dated October 13, 1919, to his assistant, Mr. Brown, in charge of the association office, may be responsible therefor:

Brown wire eleventh mentions sales managers conference stop while the association has no participation in such conferences it is urgently advisable that mills do not issue concession sheets as result of any meeting or conference legality of association basic list doubtful stop dealers strong for law of supply and demand when it works their way are questioning alleged uniformity of concession sheets.

The new basic list and a discount sheet applying thereto were published and distributed about March 1, 1920. The basic list was compiled by the same association price list committee which compiled the previous basic list, although the association officers stoutly disclaim any responsibility for the issuance thereof. The printers had previously compiled a list of manufacturers and lumber dealers who had standing orders upon their books, for delivery of discount sheets as soon as same were authorized by the proper parties. About March 1, 1920, Kane & Harcus obtained current price lists of a number of fir manufacturers. A compilation from these was used as the basis for discount sheet No. 1, applying to the new basic list. This new basic list and discount sheet applying thereto were sent to each subscriber appearing on the books of the printers, at that time.

The prices obtained for fir lumber in 1919-20 rose to the same relatively abnormal height as that obtained for other lumber. The profits derived therefrom were of necessity very large. The net prices as shown by the discount sheets were \$35 to \$40 or more per thousand above Rail B basic list of 1919, which was merely intended as a basic list from which substantial discounts were supposed to be allowed.

#### Miscellaneous activities.

This association has established and maintained uniform grading rules, uniform standard weights and methods in figuring freight charges, uniform terms of sale and a uniform cost accounting system.

It has published barometers showing the amount and relation of lumber cut, ordered and shipped, and also furnished various other kinds of information which would influence the market. Sales reports were also issued, whereby the manufacturers were enabled to compare the actual prices obtained with the prices quoted in the uniform discount sheets. If any manufacturer interfered with the market price of lumber by quoting a lower price, he was immediately notified by some manufacturer of the discount sheet in effect and given other general information which would encourage him to obtain full list prices.

#### WESTERN PINE MANUFACTURERS' ASSOCIATION.

This association is composed of about 50 concerns, located in the so-called "Inland empire," comprising the eastern part of the States of Oregon and Washington, western Montana, and the State of Idaho. The membership of this association controls about 80 per cent of the total output of lumber in this region. In Idaho, three holders are said to control about 46 per cent of the total standing timber, while six holders control 58 per cent of the total standing timber. In eastern Washington, two holders are said to control approximately 36 per cent, while in eastern Oregon, two holders are said to control 27 per cent of the total standing timber.

#### Price activities.

This association has openly prepared and published basic price lists from time to time. Such lists have been issued as follows:

January 15, 1914; February 1, 1915; February 1, 1916; January 1, 1917; February 15, 1918; July 15, 1918; July 15, 1919; June 1, 1920.

These lists were prepared and distributed by the association. On the cover page the following recital is typical:

*Current price list of western soft pine, etc. Compiled and Issued by the Western Pine Manufacturers Association, Spokane, Washington. Copyrighted, 1917, Western Pine Manufacturers Association, Spokane, Washington.*

Discount sheets applying to the various base lists were issued from time to time after a meeting of the manufacturers under the auspices of the association. Often such concession sheets were distributed through the association office, while at other times, those desiring concession sheets were referred to the printer. The following circular issued July 23, 1919, by Mr. A. W. Cooper, secretary of this association, is typical:

The new price list, dated July 15, 1919, is now out and ready for distribution. Doubtless most of you have received your copies from the printer.

In the matter of concession cards, we understand that substantial advances have been made by certain mills, and that the Spirit Lake Publishing Company

has reflected the advances in its discount on the old list, known as Discount No. 8.

Discount No. 1, on the new list, has been issued by the printer on the same basis as old Discount 7. There will be a Discount 2 on the new list, corresponding with Discount 9 on the old list.

In ordering your discounts from the printer you should advise him whether you want 1 or 2, as there is a great distinction, and it will depend upon whether you are selling upon the basis of 7 or the new card 8. Remember, card 1 on the new list corresponds as to 7 on the old, and card 2 corresponds to 8 on the old list. Please be governed accordingly and advise the printer which you want.

On the same day, Secretary Cooper wired the Spirit Lake Publishing Co., authorizing the publication of these discount sheets, as follows:

Issue discount one as per your letter also discount two according discount eight old list. Mills will advise which they want.

A letter written by Mr. T. A. McCann, president of this association to Mr. E. L. Carpenter, of Minneapolis, on June 30, 1919, with reference to an association meeting held at Spokane, Wash., on June 25, 1919, is in part as follows:

Our meeting at Spokane was so optimistic that I had difficulty in holding from an advance on Western Pine. Fir and larch dimensions were advanced \$3.00, in spite of the advance of \$3.00 only two weeks ago; fir and larch boards advanced \$1.50. Discount card No. 6 has been put into effect by everybody on Western Pine, although it was only a week ago that Boise-Payette put it in, and the Weyerhauser Agency had been taking orders on card No. 5 even as late as the day before the meeting. But it is generally understood that card 6 is now in effect. In spite of this rather belated acknowledgment of this market situation the Weyerhauser interests were very strong for a further advance. We did put 4 x 4 shop up \$2.00, No. 3 shop, \$1.00; number 2 and better shop, \$2.00. This leaves it on identically the same price as the last market sheet from California, so that it was arranged for a committee composed mostly of mills which have shop contracts to go down and interview the California men, with an idea of getting our shop prices somewhat in line with our common prices, so that the absurdity under which we are now operating will not continue.

The foregoing is cited merely as typical of the price activities of the western pine manufacturers at their association meetings. The prices fixed by these discount sheets became so high as to cause alarm among the lumbermen themselves. The price movement of western pine corresponded very closely with that of southern pine, Douglas fir, and hemlock lumber.

On August 11, 1919, Mr. D. C. Eccles, president of the Oregon Lumber Co., wrote in part:

To my mind, the action of the Spokane members in putting out discount No. 8, if not already, will do more harm to the industry than any other move that has been made. There was not anything that justified such a radical step.

An interesting telephone conversation between Mr. Chisholm, of the Shevlin-Hixon Co., and Mr. Case of the Weyerhaeuser Sales Co.

was reported by a Minneapolis salesman of the St. Paul & Tacoma Lumber Co., of Tacoma, Wash., who wrote his company on August 1, 1919, in part as follows:

Mr. Chisholm, of the Shevelin Carpenter interests, called the Weyerhaeuser Sales Office in St. Paul, on the 'phone, and told Mr. Case that the action of the Weyerhaeuser Sales Company would do more to get the lumber industry into the courts and before the Federal Trade Commission than any action recently taken by mill men regarding prices.

Mr. Chisholm, told Mr. Case the Weyerhaeuser interests were crazy, and that if Mr. Chisholm were on the jury, he would surely vote to bring in a verdict of guilty.

Mr. Chisholm further told Mr. Case that it would have been better to keep off the market altogether.

Actions of Weyerhaeuser Sales Company, has created considerable criticism and gossip, and as these people have a good many enemies, there is a possibility of some complaints being filed with the Federal Trade Commission.

#### Other activities.

The manufacturers within this association produce a large amount of lumber used in the manufacture of boxes. The fruit-growing and meat-packing industries are large consumers of this material. A box bureau was organized within this association during the year 1917. At different times agreements on prices for box materials, with a prorating of the total business among the members, have been undertaken and carried out. The manufacturers of box lumber of this region cooperate with the manufacturers of box lumber in California and with the spruce manufacturers on the Pacific coast for the purpose of eliminating competition in the sale of their box lumber. This association maintains an information bureau to which actual sales are reported by the members. These are summarized and distributed to all members, thus enabling the manufacturers to judge the reaction of the market to the prices quoted in the standard discount sheets.

Uniform grading rules, uniform methods of figuring freight rates, and uniform terms of sale, are also established and maintained by the members of this association.

#### NORTHERN HEMLOCK & HARDWOOD MANUFACTURERS' ASSOCIATION.

The data secured during the course of the investigations pertaining to the activities of hemlock manufacturers has not been fully analyzed. The following, however, will broadly indicate the methods used by this association:

Lumber manufacturers of the State of Wisconsin and the Upper Peninsula of Michigan constitute the membership of this association.

For many years current price lists of hemlock lumber were published by A. L. Broughton, printer, of Minneapolis, Minn. These

current price lists have been used for many years by the Wisconsin manufacturers as their actual price lists. The prices as shown by Broughton's list are usually somewhat above the actual prices being obtained by the manufacturers of hemlock lumber.

#### Bureau of statistics and educational information.

In December, 1916, the members of this association appointed a committee of 12 sales managers to maintain a "Bureau of statistics and educational information." Care was taken to select as members of this committee representatives from each district of the region covered by this association. This committee met approximately each month and discussed prices, and at times prepared data which was forwarded to Mr. Broughton to be used by him in the printing of a new list.

The following letter of date March 3, 1918, written by Mr. H. H. Butts, chairman of this committee and sales manager of the Park Falls Lumber Co., which company is controlled by Mr. Edward Hines, to Mr. G. C. Robson, secretary of this committee and sales manager of the Kinzel Lumber Co., of Merrill, Wis., is illustrative of the way in which this matter was cared for:

I am attaching herewith copy of letter which I wrote to Al. Klass yesterday regarding changes which our committee recommended in Chicago, Tuesday, and which I believe covers the entire situation in accordance with our deliberations with the possible exception, as you will note by checking up, that I did not include the advances on the 10/4 and 12/4 Birch, Rock Elm and Maple which we thought best to put on there in order to make the list coincide with the recent price given the Vehicle Association.

This was prompted for the reason that on the day following the Board of Directors met with the Emergency Committee of our Association and went on record as desiring the Association further, that this be done by our Emergency Bureau just as soon as we could get together with the Michigan Emergency Bureau in a joint meeting.

Therefore, as our main object in making the advances was to back up the Emergency Bureau probably you will agree that it was the proper thing to do.

Now I have not as yet gotten round to the report of our committee meeting of last Tuesday, owing to the fact that I am utterly swamped with correspondence in connection with our business here and the Lord only knows when I will get to it.

However, I thought the main essential thing was to get these changes to Klass so he could get busy with Broughton and have the new list in effect at least by April 1st.

Mr. Al. Klass was one of the members of this committee. He replied to Mr. Butts, under date of March 28, 1918, in part as follows:

I received your letter of the 22nd and after studying it all out, got the lists checked up accordingly and telephoned Broughton to go ahead with the reissuing of them.

I was very sorry indeed that it was impossible for me to be present at the last meeting, because I realized it was important, and really wanted to be there,

but another matter of business came up just at the last minute which took me to Philadelphia and I did not get back home until Saturday night.

Broughton assured me that he would keep right after the new lists until he got them out and hoped to have both the Hemlock and Hardwood on the way shortly after the first of the month.

I believe that all the changes made are justified and in fact, rather feel that some items of No. 1 and Merch. and No. 2 could stand a little advance especially 2x4 and 2x6, but perhaps it is just as well to let the matter stand as it is until we find out what develops in the spring trade. We, ourselves, however, have already made sales of Merch. Hemlock that are higher than the list.

The following correspondence a year later is also typical.

On March 5, 1919, Mr. Broughton wrote Mr. Al. Klass, who was then chairman of this committee, in part, as follows:

We received a letter a few days ago from a Wisconsin wholesaler, in which he scores us for getting out the hemlock pocket price lists, and in which he says:—"There is not a single manufacturer adopting or issuing this list, and I doubt if the manufacturers authorized this issue of a pocket price list." Of course this is charging us directly with making the changes and getting the lists out entirely on our own responsibility. \* \* \*

The Government made a thorough investigation into matters a few years ago when we were put on the rack, and possibly they may do this again. It strikes us that it would be much better for all concerned if the manufacturers would send out lists as they used to and cannot understand why they do not at this time.

To which Mr. Klass replied, on March 7, 1919, as follows:

I have your favor of the 5th and note your remarks.

What the party tells you is partly true and partly untrue. The fact of the matter is, most of the manufacturers throughout the State are quoting bills within the State of Wisconsin about \$1.00 per M off the February lists, but on the business going East of Indiana and Illinois State line the prevailing quotations are in line with the February list, so it will be hard to determine any more closely what the market is.

If you were to issue a list representing market conditions in Wisconsin, it would be as above stated, about \$1.00 lower than the February list, but this would not cover market conditions farther east, so it would be better to have a list representing the highest market conditions, and then individuals can do as they please about quoting prices or making sales. The point is just this, the Bureau of Statistics and Educational Information in connection with the Northern Hemlock and Hardwood Mfgrs. Association is a committee appointed for the purpose of reporting to members of the Association a general survey of market conditions regularly, as well as prevailing statistics showing costs of production, stocks on hand, etc., but of course they do not advise any one the prices at which they shall sell.

#### MICHIGAN HARDWOOD MANUFACTURERS' ASSOCIATION.

The manufacturers of lumber in the Lower Peninsula of Michigan produce both hemlock and hardwood lumber. This association was organized in 1906. One of the purposes expressed in the call for the first meeting was "to achieve prices commensurate with existing stumpage value and manufacturing costs."

**Committee on market conditions.**

This association has maintained a committee on market conditions, which originally met quarterly, but during the year 1919 met about once each month.

R. D. Frederick & Sons, printers, of Cadillac, Mich., printed a current price list quite similar to that printed by Broughton for the Wisconsin manufacturers. The data for these price lists were supplied to the printer through the office of the secretary of the association. He, in turn, obtained it from the committee on market conditions. The official minutes of the meetings of this association show that prices were adopted at the meetings of the association. The market conditions committee usually held their meeting immediately prior to the regular association meeting and submitted a report upon prices. The following excerpt from the minutes of the association meeting held at Detroit, Mich., on January 29, 1919, is illustrative. The chairman of the meeting, in calling for the report of the market conditions committee, stated in part:

I might say yesterday your Market Conditions Committee was in session a good part of the time, probably the largest attendance we have ever had, and the subject of prices was gone over and given very careful consideration, and the prices that they were going to recommend to you today come from them as recommendation of a list that they thought was absolutely right. \* \* \*

It is a hard matter to recommend a price list that will satisfy all conditions, because we vary so in our views, and the list that they have made is taken from the very best ideas that could be arranged. Each item, I might say, has been taken up separately, and the twenty-four members present yesterday expressed their views. Some of them did not—well, our prices were not unanimous in any way, while they came out pretty nearly where we expected, and the majority always rule in a matter of this kind.

It appears from these minutes that extensive argument was had over the report of this committee. During the argument the chairman stated:

From this recommendation of No. 3 common it is up to you to either adopt or carry—if you care to consider that in any way, why you can do that; but bear in mind at all times, of course, that this list is supposed to be the bottom list, that is, supposed to be the ground prices so far as the committee could find out.

**Legal advice and its application.**

During the 1919 summer meeting of the association this plan of handling price lists was submitted to Mr. L. C. Boyle, general attorney of the National Lumber Manufacturers' Association, for his opinion. Mr. Boyle rendered an opinion, as follows:

Upon returning to my Washington office I find my desk so covered that I have not had time to prepare the resolutions that I promised to send you. I will do this in due course.

You will recall that I suggested when I returned to my office that I would write you in reference to your price list that you publish. I am doing this in the enclosed letter.

You will recall that it was arranged that I should present the Wisconsin Association plan to the Department, which I will do, but it will take me some little time to prepare my brief, and as a conservative and precautionary method I am urging your group to abandon your price list plan until I have had an opportunity to discuss the Wisconsin situation with the Department of Justice.

In the event my suggestion is accepted, then I believe you should make a formal record of the fact that you are abandoning the plan because, on the advice of counsel, the suggestion has been made that the manner of the publication of the price list might be construed as an indirect method of price control, that although this is not the purpose of the plan, that in order to remove the appearance of evil the plan will be abandoned, etc.

He supplemented this opinion by again writing on the same day, as follows:

Apropos of our brief talk at Mackinac Island the other day, I desire to suggest that it is my very fixed conclusion that the price list that your group is publishing is susceptible of misconstruction and is, therefore, under present conditions, most dangerous.

Since my return to Washington I learn with more or less definiteness that it is the purpose of the Department of Justice to commence a most searching investigation of the present high price causes. You and I know that if there was no lumber association extant that lumber prices would nevertheless be mounting skyward, and this due to conditions over which we have no control. When the armistice came there was no lumber stocks at the mill nor in the dealers' yard. Labor conditions are bad, lack of supply, poor in quality. In addition to this there is a hiatus of four years need of building to be filled in. All of this naturally conspired to create high prices, the public, however, does not know these reasons, and if upon investigation any plan is found that squints at suggested prices, it will be the plan that will be held responsible for the prices and not the true causes.

I know that it is not the purpose of your plan to fix the price. Your members are free to sell at any price they please, nevertheless, when your Committee publishes a higher price than the current market, based upon its conception of market tendencies, it is in fact putting out figures that are at least to be shot at by the trade and to that extent indirectly doing that which tends to control prices to a higher level.

If the industrial situation was such that demand was low and supply heavy, then under the operation of the "*Rule of Reason*" a plan of this kind might be justifiable, but when we are on the crest of a run-away market, I am quite sure that the law would frown upon the plan that you are working under.

I do not want you or your directors to misunderstand. I am not seeking to meddle in your regional affairs. As you know, professionally my connection is with the National which organization has nothing to do with prices, directly or indirectly. This letter is written because of the talk you and I had and because of my deep interest in the welfare of every regional group. If any one group is attacked, such attack will reflect hurtfully upon the entire industry. The public mind is impatient and irritated over the present conditions, and, every lumber group must be as Caesar's wife, above suspicion.

It is therefore my recommendation that you get your Board together and pass a formal resolution to discontinue your Committee's work on the list, and this

because it might be construed as an effort to control prices, although such is not the basic purpose of the plan.

I assume, of course, your group has a method whereby you study your cost problem. This is legitimate. Also, it is proper for you to have the widest kind of market publicity of the past prices. The activity that I feel you should abandon is any method whereby your Association indicates its conception of what lumber ought to bring next week. Courts have held repeatedly that it is proper for an industrial group to study its cost problem, to study its market condition, but there is no authority that will justify the projection of market conditions into the future.

I would not have my suggestion in the least discourage your group activity. If there ever was a time when men in every line of industry should get together, now is the hour. What I am seeking is to guard your group from an unjust accusation.

If I have not made myself entirely clear, I will be glad to further advise you.

On August 1, 1919, Mr. Boyle made additional comment as follows:

In writing you yesterday touching the associated activities of your group, I would not have you understand that any member of your group is not legally authorized to issue any price list that he sees fit. That which I was trying to impress upon you was that prices cannot be adjusted through association effort.

If one of your members in whom the trade generally had confidence should issue a price list undoubtedly many operators within the industry would follow the lead of the one issuing the price list, and if there was no agreement or concerted understanding to this effect, the mere fact that there were a number of similar price lists would in no wise embarrass the legal situation. The thing we have got to keep in mind is that we cannot have uniformity of price through agreement, and this whether the agreement is directly or indirectly arrived at, but there may be uniformity of prices if such prices are the result of constructive study or, as suggested, because one operator might copy the price list that another operator issues.

As a result of this opinion from Mr. Boyle, the association changed its method of supplying information to R. D. Frederick & Son but slightly. They continued to proof-read his copy, but did not openly authorize the printing and distribution of same. Mr. F. C. Knox, secretary of this association, issued a bulletin on September 5, 1919, pertaining thereto, as follows:

We have discontinued the printing of the Michigan Standard Price Lists on Hardwood and Hemlock for free distribution to our membership, also the recommended figures of our Market Conditions Committee.

Hereafter the basis for values of Michigan hardwoods and Hemlock will be found in "Frederick's Current Market Values," which will be printed from time to time as reflecting the current market value on these woods, which will be issued at a cost of 50¢ each. Subscriptions for this issue will be received by the Secretary and placed with Frederick & Son for mailing to you at once. It has been thought best that the subscription to this list be handled through the Secretary's office, in order that he may be assured that all of our membership receive copies of the list. Please inclose your order for number of copies wanted, at 50 cents each, in order to insure prompt mailing on the lists.

### Curtailment of production.

The report upon lumber prepared by the Bureau of Corporations and published in 1914 clearly showed that, when necessary, lumber manufacturers cooperated with each other in curtailing the production of lumber in order to prevent an oversupply which would necessarily have a tendency to lower the price. As previously shown in this memorandum, in 1915 the lumber manufacturers attempted to induce the Federal Trade Commission to provide lawful means whereby this would be accomplished. No action was taken in regard thereto by the Commission.

About this same time, most of the regional associations began to collect statistics showing each week the amount of lumber cut, ordered, and shipped. In addition to the actual figures, a barometer was issued whereby the relation of the cut, orders, and shipments to each other was shown by colored columns.

The first barometers issued by the Southern Pine Association during the latter part of the year 1915, contained marginal notes applying to the current situation, as follows:

Market advancing—increase production.

Had the current situation been reversed, marginal notes would have applied as follows:

Market declining—decrease production.

These marginal notes were discontinued after the first few issues.

It was also explained on the barometer that when production exceeded orders and shipments, "Experience indicates an over production with consequent lowering of values." It was further explained that when shipments and orders exceeded production experience indicates that values increase "provided production does not increase at a greater ratio than shipments and orders."

Production of lumber was materially curtailed at this time in the southern pine region. About the month of October, 1915, Mr. Charles S. Keith issued a circular in which he stated that—

A stimulation of production would probably occasion a delay in the market reaching a normal condition of prices.

Substantial assistance in the program for curtailing production was given by the lumber trade journals.

### COOPERATION AMONG REGIONAL ASSOCIATIONS.

#### Purpose of cooperation.

The lumber manufactured in each region is sold in certain localities in competition with that from other regions. For example, in

the Mississippi Valley States, southern pine, Douglar fir, western pine, and hemlock lumber compete with each other; in States west of the Missouri River, southern pine, Douglas fir, and western pine are the principal competitors, while in the Middle Eastern States, hemlock from Michigan, Wisconsin, and Pennsylvania and southern pine compete with each other. From the data collected, it appears to be the aim and purpose of the manufacturers not only to eliminate price competition within their respective associations but to eliminate, as far as possible, price competition among the competing kinds of lumber. The various association committees charged with the duty of obtaining information upon market conditions and disseminating it, secure all possible information with reference to stocks on hand, orders received, lumber shipped and the prevailing market price of all competing kinds of lumber for use at the association meetings. At times, committees are appointed by an association to visit the competing lumber manufacturers in order to carry out these purposes.

#### Cooperation between Southern Pine and West Coast Lumbermen's Association.

Mr. W. M. Beebe, sales manager of the Long-Bell Lumber Co., probably the largest single producer of yellow-pine lumber, was appointed chairman of the committee on competitive woods by the Southern Pine Association at its meeting on February 24, 1919. The apparent cause for the appointment of this committee was the fact that Douglas fir lumber was then being sold in the Missouri Valley States at \$3 to \$6 or more per M less than the price asked by the southern pine manufacturers. Mr. Beebe wrote at that time, in part:

One thing is sure, fir is going to come up or yellow pine is going to come down eventually.

while Mr. Rhodes, secretary of the Southern Pine Association wrote:

Certain it is that fir must advance as I do not see that Southern pine can decrease.

Mr. Beebe arranged to make a personal trip to the Douglas fir region for the purpose of conferring with those manufacturers. He wrote Secretary Rhodes on March 21, 1919, in part:

I am in receipt of yours of March 19th regarding the relative competitive prices of fir, yellow pine and other woods.

Fir, as I understand it, is a little weaker at the present moment than when that list was gotten out.

I expect to go to the Pacific Coast within a very few days and am going to try to take along considerable data and use it to as good advantage as possible with some of the fir manufacturers.

Upon his return from this trip, Mr. Beebe wrote Mr. R. A. Long, president of his own company, under date of April 21, 1919, in part as follows:

I returned to the office this morning. While on the Coast, I had the opportunity to talk to a number of fir manufacturers in Portland, Tacoma and Seattle. Also had the opportunity of talking to about twenty-five manufacturers at a meeting which they were having in Tacoma. I had some data with me regarding the prices of fir and yellow pine, comparable grades. I had our monthly sales report as to the prices received by the Kansas City people and showed these manufacturers, I think, conclusively, that they were selling their product \$4 to \$5 per M less on an average than was necessary except for competition among themselves.

It is startling how little after all the better posted manufacturers care and know about prices and conditions in the Middle West, largely for the reason that they sell nearly their entire product through commission men and wholesalers.

I left with Mr. Bloedell a comparative statement of the prices of fir and yellow pine and he stated that he would give a great deal of publicity to the same. This was a statement made up for me by Edward Hines. Mr. Bloedell said it would do a great deal of good.

Mr. Beebe made similar reports to other southern pine manufacturers of the results of his western trip. It should also be borne in mind that at this time the prices for fir lumber advanced very rapidly, as is shown in another section of this report. It appears that such matters were also discussed at meetings held under the auspices of the National Lumber Manufacturers' Association. A meeting of this association was held at Chicago, Ill., about April 15 to 17, 1919. Mr. R. B. Allen, secretary of the West Coast Lumbermen's Association, attended this meeting, and from there went to Washington, D. C. He wrote Mr. R. H. Burnside, of Raymond, Wash., from Washington, D. C., on April 26, 1919, in part:

Am here for a few days following the Carnival of Intellect in Chicago. Cannot quite figure out that anything very important was accomplished there, but it was intensely interesting in spots.

Had a great many inquiries for you—there were others besides myself that regretted your inability to be there.

As usual the South was strongly mobilized for the occasion. They were inclined to ride us a bit for low prices. Putnam in just about the opening address took several nasty slaps at the West Coast—finally saying that what we needed out there was brains and if we would only pay the price, the South would gladly furnish us with the requisite gray matter. When he finished I took a shot at him.

Mr. J. H. Austin, chairman of the Southern Pine Association committee on sales and distribution, wrote Mr. R. P. Arkley, assistant sales manager of the St. Paul & Tacoma Lumber Co. on April 17, 1919, in part:

This writer has been delayed in replying to your letter of the 10th due to the fact that he has been attending the meeting of the National Lumber

Manufacturers that is being held in Chicago this week. While attending this meeting he had the pleasure of meeting the Secretary of your Association, Mr. Allen, and he gave us a very reassuring statement, which would indicate that the people on the West Coast are rapidly realizing that there is no reason why they should sell their lumber at less than cost, and that they will soon get their prices up in line with the prices that we are obtaining in this territory for our product.

Mr. Austin further wrote in this same letter:

It might be interesting for you to know that we have been selling our dimension in this market at \$3 to \$5 per M more than sales of similar items made by our West Coast friends and the odd thing of it is that the dealers who purchase your stock along with our pine make no difference in their retail prices between the two woods.

Mr. G. C. Robson, chairman of the sales managers' committee of the Northern Hemlock & Hardwood Manufacturers of Wisconsin, was also present at this meeting of the national association. On April 17, 1919, he wrote the president of his association in part:

The yellow pine people are surely taking care of their situation in excellent shape and the West Coast, from what Mr. Allen states, is going to get right in line themselves.

Arrangements were usually made whereby telegrams giving the very latest information upon stocks on hand and market prices of all competitive woods were received for use at the association meetings, where prices or market conditions were discussed.

In preparation for the meeting of the fir manufacturers held May 28, 1919, Mr. E. R. Hogg, of the Atlas Lumber Co., wrote:

It was decided last night to have another meeting in Tacoma next Wednesday the 28th and everybody is supposed to see that everybody in his neighborhood is advised. I understand that by that time there will be further information regarding the situation in the South, that will be of immense interest and value.

The Union Lumber Co., of Union Mills, Wash., wired S. H. Chatten Lumber Co., of Kansas City, on May 26, 1919, as follows:

Have four or five large manufacturers wire collect night letters tomorrow giving present market conditions similar to those messages sent Chatten last week, must have these by morning of 28. Large volume yard stock orders offering. Wholesalers now paying No. 4 and buying everything offered.

The replies, if any, to this wire were not obtained. Mr. E. C. Hole, manager of the American Lumberman, wired Mr. Hogg on May 27 for use at this meeting as follows:

Large amount of yellow pine orders have been booked in last three weeks. Stocks are broken and prices are advancing, also shortage of labor in South. Nor. lumber was advanced and getting very scarce. Prominent Cleveland wholesaler here Saturday going North to buy all he could. Personal letter from President large Kansas City Bank quotes prominent Southern pine lumber man as expressing doubt on wisdom of getting prices on Southern pine any higher.

Southern pine people have had several conferences on advisability of holding steady market. Retailers feel that manufacturer should have in mind continuation for several years of the splendid momentum of building movement now on all over the country and should not get prices too high.

At this meeting on May 28, discount sheet No. 5 was adopted as previously shown. Mr. R. W. Hunt, sales manager of the Weyerhaeuser Timber Co., wrote the Weyerhaeuser Sales Co. of St. Paul in regard to this meeting, in part as follows:

We are today sending you a supply of discount 5 which it was decided by the majority of the manufacturers on the Coast should be put into effect immediately. The advance at the time it was made, did not appear to us to be called for although the Committee on Values merely leveled up the prices of fir lumber to a competitive basis with yellow pine based on a Kansas City and Chicago rate of freight.

#### Cooperation between Wisconsin and Michigan hemlock manufacturers.

The Hemlock manufacturers of Wisconsin and Michigan, by virtue of their location, supply much the same territory with lumber. On account of this condition, committees representing the Wisconsin and Michigan associations met from time to time in order to further the interests of each other. The following letter describing the joint meeting of representatives of these two associations, held at Milwaukee, Wis., on December 30, 1919, is typical. It should be borne in mind that this meeting was held after the Federal Trade Commission had well begun its survey and after receipt of the foregoing legal opinion from Mr. Boyle.

Mr. Wrape, who was chairman of the market conditions committee of the Michigan association, wrote Mr. H. S. Dewey, of the Edward Hines Lumber Co., on January 5, 1920, with reference to this joint meeting, as follows:

I was disappointed in not seeing you at Milwaukee on December 30th as I not only wanted to talk over conditions with you but wished to thank you for the very nice box of cigars which I received from you on Christmas Eve. They are very fine and I thoroughly enjoyed them.

I also received copy of the advertisement of the Edward Hines Lumber Company in the Daily News of December 31st, which I have read with much interest.

In your last letter you intimated that there was a sentiment growing among the larger manufacturers of lumber to stabilize prices on the basis prevailing about thirty days ago.

It seems to be very hard to accomplish this object right now. There was no evidence whatever of any effort being made along this line at the Milwaukee meeting. Prices were advanced from \$10.00 to \$60.00 per M much easier and with less consideration than was given to a general advance of \$2.00 per M less than a year ago.

It is possible that conditions warrant these extreme advances, but I have talked with several manufacturers in Michigan and they are of the opinion that we are going ahead at a trifle too rapid pace and that something should be done to check this condition.

Write me when you have time, with any suggestions that you have to offer and whether the feeling which I have described exists in any other section of the country that you know of.

The foregoing is merely illustrative of the continual cooperative activities between the lumber manufacturers of the various regions.

Early in the year 1916 the demand for lumber became very weak. The Southern Pine Manufacturers held a general meeting at Alexandria, La., on April 25, 1916. Mr. Keith, president of the association, sent detailed information to be used at this meeting with an announcement of the policy which his own mills would follow. This policy was to regulate production on the basis of the weekly barometer reports of the association, and it was further explained—

that where the volumes of orders received is any per cent below the amount produced per week for all of the mills regardless of what our own order file conditions may disclose, I want the hours of operation for the current week reduced by that per cent.

Curtailment upon a very large scale was immediately instituted among the southern pine mills. A further meeting of the Southern Pine Manufacturers was held in Chicago on May 30, 1916, which continued until the convention of the National Lumber Manufacturers Association held June 1 and 2.

Within a week after this meeting was adjourned, curtailment among the southern pine mills became even greater and varied from a complete shutdown to either one or two days each week. At the same time, organized curtailment of one day per week was begun among the Douglas fir manufacturers and continued until the month of August. A curtailment of the western pine manufacturers of the Inland Empire was also begun and maintained for a period of time.

The curtailment of production by the fir manufacturers was begun as the result of a meeting held at Tacoma, Wash., on June 8, 1916. Mr. J. H. Bloedell, president of the West Coast Lumbermen's Association, issued a call for this meeting as follows:

Lumber manufacturers of Oregon, Washington, and British Columbia will meet at the Tacoma Hotel, Tacoma, Washington, on Thursday, June 8, at 1.30 P. M. for a general discussion of manufacturing and market conditions. The curtailment which has been made by individual Southern pine mills will come up for discussion. District committees have been appointed to call upon the mills to ascertain if they propose any curtailment. This will be one of the largest and most interesting meetings of the year. Remember the date, and be in attendance.

The extent of the curtailment was discussed by Mr. E. R. Hogg, of the Atlas Lumber Co., who wrote on July 15, 1916, in part:

Notice you are not out a great deal on account of your yellow pine people not getting into the scramble for business. That is the way we all ought to do. If we could hold off when the market is weak conditions would be very much

better, but we have been down 18 months in the last 3 years holding the umbrella over the other fellow and have decided that we will have to play the game the same as the majority, but at the same time, there is about a 20% curtailment in our production on the Coast here. Our Mr. Patten has been looking after this curtailment for the last two or three weeks and our own mill and practically 80% of the others are curtailing in various amounts from 16 to 20%.

During the war period all industries were urged to increase production as much as possible. A meeting of the Southern Pine Association was held February 19 and 20, 1918, at New Orleans. The proceedings of this convention were published by the association in a pamphlet entitled, "Pine and Patriotism." Mr. Charles S. Keith, president of the association, delivered an address at this meeting in which he urged the importance and practicability of individual as distinguished from concerted restriction of production on the basis of the association's barometer reports. Upon this subject he stated in part:

In the absence of any law legalizing trade agreements so that they can be enforced, they are of no avail. We can do legally individually now all those things which we cannot do collectively by agreement. When you see production exceeding shipments and stocks of lumber accumulating you should know beyond doubt the ultimate effect of such a situation is price recession. When conditions indicate sales or shipments in excess of production, stocks are being reduced and orders increased, common sense should tell us that values under such conditions are bound to increase and under such condition no lumberman should sell against the future. When conditions demonstrated by the barometer show production in a dangerous condition we should apply the remedy individually without consulting our neighbors and without discussing it with our friends, trusting to their business acumen and good sense to do likewise.

It is significant to note that during the last five months of 1918 the production of southern pine lumber ranged from 23 to 38 per cent below "normal." In the first full week following the Chicago conference on November 22, 1918, hereinbefore referred to, the production of southern pine lumber fell from 32 per cent below "normal" to 39 per cent below "normal," though stocks on hand at that time were only 76 per cent of "normal."

#### CHICAGO RETAIL LUMBER DEALERS' ASSOCIATION.

The retail lumber dealers of Chicago maintain a local association. There are about 45 to 50 members of this association, which includes practically all of the large local dealers and a very large percentage of all of the dealers of the city and county. The articles of agreement under which this association has been maintained for many years apply only to local trade and specifically state that they "shall not apply to any interstate trade, commerce or business."

### Compilation of costs.

One of the principal activities of this association is the compilation of costs. Average costs of doing business are ascertained from time to time by the association and furnished to each member thereof. The method of ascertaining their costs is described in article 3, section 3, of the by-laws which is as follows:

Section 3. In the judgment of the Association the following fundamental elements constitute the basis of ascertaining Retail Selling Prices of Lumber Based upon Average Cost:

- (a) The current wholesale market prices, F. O. B. Cars in the Retail Lumber Dealer's Yard;
- (b) The average cost of Yarding, Selling and Delivering;
- (c) Insurance and Taxes of all kinds;
- (d) Reasonable Allowance for Depreciation;
- (e) Reasonable Allowance for Bad Debts;
- (f) Reasonable Administrative and Executive Expenses;
- (g) Rent and Other Fixed Charges;
- (h) Overhead Expenses, and all other Expenses pertaining to the Business of the Retail Lumber Dealer;
- (i) Interest at six per cent per annum on Capital employed in the Business.

In adopting the foregoing method of ascertaining the Retail Selling Prices of Lumber Based upon Average Cost, the members of the Association expressly agree that their Average Merchandising Profit shall not exceed Ten per cent reckoned on Sales.

### Reports of sales.

Daily reports showing sales made are furnished to the secretary by each member, as provided by article 14, section 1, of the by-laws which is as follows:

Section 1. Daily reports shall be made by each member of the Association to the Secretary at the close of each day's business, giving the amount in dollars and cents of all shipments (which are hereby classified as "Retail Trade Sales") consisting of Lumber, Hardwood Flooring, Lath, Shingles, Posts, Plaster Board, Wall Board, Patent Roofings, Building Papers, Glass and Millwork of all kinds, sold and delivered for use within Cook County, Illinois;

Excepting the following shipments which are hereby classified as "Wholesale Trade Sales," and which are not to be included in the Daily reports:

- (a) Shipments to members of this Association.
- (b) Shipments to steam railroads, including Union Stock Yards & Transit Co.
- (c) Shipments to International Harvester Co., American Car & Foundry Co., the Pullman Company and other car builders.
- (d) Shipments made from outside of Cook County, Illinois, in cargo or car-load lots to any purchaser, excepting to contractors and builders or to the contracting and building trade. This exception (d) shall apply only to industries which are large and frequent users of lumber, and are accustomed to buy in carload lots and take the entire carload direct from the car, and use the lumber or other material for crating purposes, or as the raw material from which their products are manufactured.
- (e) Shipments made direct to the United States of America.

Pooling of business.

A rather striking activity of the members of the Chicago Retail Lumber Dealers Association is revealed in their articles of agreement whereby all retail lumber business in Chicago is allocated among the members of the association. Those members selling more than their allotted amount pay a certain percentage of the overshipment into the association treasury, while those members selling less than their allotted amount are paid out of the association treasury upon such undershipment. Article 12, section 1, contains this agreement, which is as follows:

Section 1. A fund is hereby established called the "General Fund" through which the payments hereinafter provided shall be made, and said payments shall be reckoned upon amounts in dollars and cents.

Each member, whose shipments of Retail Trade Sales (as classified in Section 1 of Article XIV) are more in any month than his allotted percentage for that month, shall pay into the General Fund, Ten per cent of the amount of his Overshipments for that month; and each member, whose shipments of Retail Trade Sales (as classified in Section 1 of Article XIV) are less in any month than his allotted percentage for that month, shall be paid out of the General Fund, Ten per cent of the amount of his Undershipments for that month down to Seventy-five per cent of his allotment for that month. If a member ships less than Seventy-five per cent of his allotment during any one month, he shall be paid said Ten per cent on only Twenty-five per cent of his allotment for that month, and the balance shall be held in abeyance until the end of the year; and if at the end of the year he shall have shipped Seventy-five per cent of his allotment for that year the amount so held in abeyance shall then be paid to him, otherwise it shall belong to the Association.

The following example will illustrate the operation of the foregoing Seventy-five per cent provision:

If a member's allotment for any month is \$20,000.00, and his shipments are \$12,500.00 for such month, he would have undershipped \$7,500.00, and his credit balance would be \$750.00. Such member would be expected to ship that month not less than \$15,000.00, or Seventy-five per cent of his allotment, and consequently he would be paid Ten per cent upon only \$5,000.00 of his Undershipments, or the sum of \$500.00, and the remaining \$250.00 of his credit balance for that month would be held in abeyance until the end of the year, and it would then be paid to him, provided his shipments for the year equal Seventy-five per cent of his allotment for that year; but if his shipments for that year should fall below the required Seventy-five per cent of his allotment for the same year, then said sum of \$250.00, and any other moneys which may accrue under this Article would belong to the Association.

It is necessary to change the allotment as new members are added to the association or where a member discontinues his membership.

The allotment in effect on February 1, 1919, as per December, 1918, report, among the members of this association under this agreement was as follows:

	Allotted per cent.
1. Andrews Lumber & Mill Co.	1.48
2. Bader, John, Lumber Co.	.92
3. Bader, Peterson, Cook Co.	.87

	Allotted per cent.
4. Barnes & Borden Lumber Co.	0.73
5. Barr & Collins	2.30
6. Bay State Lumber Co.	.93
7. Berwyn Lumber & Coal Co.	.40
8. Builders Lumber Co.	.59
9. Burns, John E., Lumber Co.	2.58
10. Chicago & Riverdale Lumber Co.	.53
11. Deacon, J. C., Co.	.74
12. De Vries, C. J., & Co.	2.11
13. Evanston Lumber Co.	1.03
15. Green, George, Lumber Co.	1.46
16. Heitmann Lumber Co.	2.38
17. Hermosa Lumber Co.	.68
18. Hettler, Herman H., Lumber Co.	4.97
19. Hines, Edward, Lumber Co.	25.22
20. Howes Lumber Co.	2.62
21. Hubbard Woods Lumber & Coal Co.	.36
22. Kemler Lumber Co.	.84
23. Lakeside Lumber & Manufacturing Co.	.60
24. Lord Lumber Co.	.87
25. Manhattan Lumber Co.	1.08
26. Mears-Slayton Lumber Co.	2.45
27. North Side Lumber & Timber Co.	1.48
28. North Western Lumber Co.	1.23
29. Pilsen Lumber Co.	3.38
30. Pulaski Lumber Co.	.98
31. Rietz, H. & A. Lumber Co.	.36
32. Rittenhouse & Embree Co.	10.11
33. Schillo, Adam, Lumber Co.	2.22
34. Schrieber, Wm. C., Lumber Co.	.62
35. Soper Lumber Co.	.90
36. Stewart, A. T., Lumber Co.	1.65
37. Street, Chatfield, Lumber Co.	1.60
38. Thornton-Claney Lumber Co.	4.15
39. Winnetka Coal-Lumber Co.	.52
40. Zeis, O. M., Lumber Co.	.96
41. Fifty-Ninth Street Lumber Yard, (not incorporated)	1.75
42. Archer Lumber Co.	.70
43. Chicago Standard Lumber Co.	.97
44. Liberty Lumber & Mill Co.	.43
45. Lurya, I., Lumber Co.	2.75
46. Lord & Bushnell Co.	4.50
	<hr/> 100.00



## Part 2.—SOUTHERN PINE ASSOCIATION.

### INTRODUCTION.

Pursuant to the request of the Hon. William M. Calder, Chairman of the Committee on Housing and Reconstruction, and information in regard to the lumber industry which the Federal Trade Commission deemed of interest to the Federal Trade Commission, the **LETTER OF TRANSMISSION** to you by the committee, their **CONFIDENTIAL** documents and letters, together with the **CONFIDENTIAL** matters therein contained, are herewith transmitted to the **Federal Trade Commission**.

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## PART II

### SOUTHERN PINE ASSOCIATION OF NEW ORLEANS, LA.

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91321°—22—5

55

This parameter is related to the analysis of the wood. It is measured on the right edge of a wood specimen in sets of a half, out of 80. The second class is the first type is denoted by the first arrow, the second by the second, and the third by the third. As a result,

In order to make the information presented more striking to the eye, red colors are used in the parameter.

However, the numbers are not the only thing that is important. The numbers are higher than the 80 that are known as a standard standard. This information must be decreased on the first class, as well as increased in the second class, as well as in the third class.

## LETTER OF TRANSMITTAL.

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FEDERAL TRADE COMMISSION,  
Washington, February 18, 1921.

Hon. WILLIAM M. CALDER,

*United States Senate, Washington, D. C.*

MY DEAR SENATOR: In further response to your letter of January 11 in which you inform the Commission that a report forwarded to Congress by the Federal Trade Commission on the lumber industry has been transferred to the special Committee on Housing and Reconstruction, of which you are chairman, and in which you further say that your committee would be glad from time to time to have the Commission transmit to it such information in respect to the Commission's lumber investigation as it may regard of service to your committee, I beg leave to submit to your committee additional letters, documents, and a summary of the same pertaining to the lumber industry for your consideration.

Cordially yours,

THE FEDERAL TRADE COMMISSION,  
HUSTON THOMPSON, *Chairman.*

## Part 2.—SOUTHERN PINE ASSOCIATION.

### INTRODUCTION.

Pursuant to the request of the Hon. William M. Calder, chairman of the Committee on Housing and Reconstruction, that information in regard to the lumber industry which the Federal Trade Commission deems of service be forwarded from time to time to said committee, there are herewith transmitted certain documents and letters, together with this summary of matters therein contained. The summary, however, rests in part upon data transmitted to the committee on January 10 and to a small extent upon certain documents still retained in this Commission's files. The Commission also has large quantities of supporting data which it is unnecessary to now transmit to the committee. The letters without signature were carbon copies from the files of the lumbermen who wrote them, and who can be identified if the committee so desires.

The letters and documents relate chiefly to the activities of the Southern Pine Association, of New Orleans, La., which represents a larger production than any other association, and comprises mills in Oklahoma, Arkansas, Texas, Louisiana, Mississippi, Alabama, Georgia, and Florida.

### TRADE BAROMETER DEVICE.

The operations of the Southern Pine Association center around the use of a device known as a trade barometer, by which, through concerted action, the association instructs its membership how to restrict production and thereby to increase the price of lumber, by an artificial control of supply as balanced against current demand.

This barometer is issued to the members of the association weekly. It is portrayed on the right-hand side of a sheet of paper and consists of a bulb out of which arise three perpendicular tubes. The first tube is designated by the word *orders*, the second by the word *production*, and the third by the word *shipments*.

In order to make the information portrayed by the barometer striking to the eye, red colors are used in the bulb and tubes.

Whenever the members see that the red in the middle tube entitled *production* stands higher than the red in the first and third tubes known as *orders* and *shipments*, they see at once that production must be decreased on the theory that if it is not there will be an oversupply in the market which will force down prices.

If, however, the barometer shows that the red of the middle tube, indicating *production*, is below the red in the other two tubes, indicating *orders* and *shipments*, then the members see that supply is below demand and that higher prices can be obtained.

This device for restricting production was inaugurated in 1915. At that time there was printed on the upper left-hand corner of the barometer and just outside of the *order* tube the words *market advancing*. Directly opposite in the upper right-hand corner and just outside the *shipment* tube appeared the word *increase production*. On the lower left-hand corner were the words *market declining*, and just opposite on the lower right-hand corner the words *decrease production*.

Thus the height of the red color in the respective tubes automatically indicated which of these instructions were to be applied.

The theory of the device was described by Mr. Charles S. Keith, president of the association, in a letter of September 18, 1915, to J. H. Kirby, as follows:

The Association will shortly get out a weekly barometer, which has been submitted to our counsel and which meets with their approval. This barometer will automatically forecast market conditions, and it is based on orders received and shipments made. Where the shipments exceed the orders, it indicates an advancing market, and whenever the reverse is true it indicates a falling market. Then once a month we will get out another barometer based on the production, which will indicate an advancing market when shipments are in excess of production, and a falling market when the reverse is true, advising increase of production when the orders and shipments are in advance of production and a decrease in production when the production is in excess of orders and shipments. This will give the information graphically.

Shortly after the barometer was circulated among the association members, Mr. W. H. Bissell, president of the Wausau-Southern Lumber Co., wrote to Mr. Charles S. Keith, president, and Mr. J. E. Rhodes, secretary and manager of the Southern Pine Association, advising that the words *increase production* be taken off, stating that "this is just the condition that we wish to avoid." Following this he said, "is it not possible that some of our members might construe your weekly letter, bearing this label, as advice from our association, to cut loose and resume night sawing with their mills?" and again, "Some cautionary advice should be inserted, bringing home to our members the truth of the old adage, 'Do not kill the goose that lays the golden eggs.'"

Mr. Bissell's advice was followed and the four phrases, *market advancing*, *increase production*, and *market declining*, *decrease production*, were removed. Mr. Keith informed Mr. Bissell in a letter of November 1st, 1915, as follows:

In preparing the barometer, the attorneys thought that if we were going to show "decrease production" thereon, "increase production" ought to go on

too; so while we are not advising our people what to do, the barometer itself will tell the story.

It should be stated that while these four phrases were removed, there still remained beneath the barometer the following language:

**TRADE BAROMETER.**

Whenever Shipments or Orders are below Production, experience indicates an over-production, with consequent lowering of values.

Experience indicates that whenever Shipments or Orders are above Production, values increase, provided Production does not increase at a greater ratio than Shipments and Orders.

The foregoing quotation appeared beneath the barometer continuously until October, 1919.

It should be noted in respect to the date, October, 1919, that at this time the Commission was preparing to make an investigation of the lumber industry as requested by the Department of Justice but had not yet actually begun. However, the fact of this request had been ascertained and had been spread through the industry. Shortly after this, the language just quoted was removed.

In order to inform the members what information the association had upon which it moved the red up or down in the tubes, there was set forth on the same page to the left of the barometer, a summary of figures reported from the association mills. These figures showed the total amount of orders on hand, the total orders received during the week, the total shipments for the week, and then by subtracting the shipments from the orders, showed the balance of orders on hand.

The statement further showed, in percentages, whether and how much shipments were exceeding production; orders exceeding production; orders exceeding shipments, and whether there was an increase in orders compared with the last report. There was also other pertinent information tending to inform the members how to read the barometer.

In the early barometers, the association took as a base the actual production and compared the orders and shipments with it. Subsequently, the orders, shipments, and actual production were compared with an assumed normal production. This normal production was arrived at by taking the production for a certain number of months.

Three cuts of the barometer in its various stages of development are reproduced facing page 60.

**CURTAILMENT OF PRODUCTION.**

In addition to the barometer there was a continual correspondence carried on between various members, stressing the idea of decreasing production and the beneficial results that would accrue to the members of the association by such action. The activities of the associa-

tion were also supplemented by trade journals which gave out information such as was portrayed by the barometers and through editorials urged the members to regulate their production according to the barometer.

Finally, to enable the membership more effectually to secure the fruits of their system of curtailing the production, representatives of the leading concerns held frequent meetings at which market conditions, including the supply and demand as reflected in the barometers, were discussed, and harmonious action on prices arrived at. At one meeting in particular, as evidenced by correspondence hereto attached, "the consensus of opinion on prices" was "that conditions justified an advance \* \* \*," and that new price lists would "be out the first of next week carrying these advances."

As disclosed in the documents sent to the committee, the plan is for each mill to regulate its current production in accordance with the current total demand, as shown by the orders and shipments of all mills, and to cut down production immediately and proportionately to any excess in the total production over total orders and shipments, regardless of the position of any individual mill. At one meeting the members took a rising vote unanimously to the effect that each would regulate his own individual production according to the common plan, and keep it within the limits of demand as shown by the association statistics. This theory was explained and urged upon the membership at great length by association leaders during 1915 and 1916, during which time two pronounced curtailment movements were organized and carried out. The barometers were inaugurated and are now used for the purpose of securing the more effectual execution of the plan.

For more than a year during the war, the Southern Pine Association restricted the circulation of its barometers to the membership. This was for the purpose of preventing the buyers of lumber securing market information which would lead them to reduce their purchases in the expectation of lower prices. At the time such action was taken, the production was exceeding the sales. This action was taken over the protests of association leaders, who had warned that such restriction would constitute an admission of manipulation. As late as March, 1920, Mr. Chas. S. Keith, for four years president of the Southern Pine Association, referred to the restriction of the barometers' circulation as being evidence of manipulation under such circumstances.

From time to time since the formative period of 1915-16 the association leaders have urged the membership to regulate their production according to the demand as indicated by the barometer, so that prices could be advanced or at least prevented from receding. A striking instance of this occurred early in 1918, when the World

# Southern Pine Association

## WEEKLY REPORT OF ORDER FILE



New Orleans, November 29, 1915

For the Week Ended Friday, November 26, 1915

### 151 MILLS REPORT:

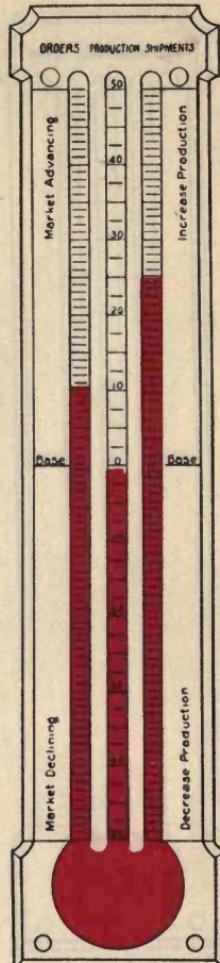
	CARS	FEET
Orders on hand	22,793	451,301,400
Orders received during week	<u>4,972</u>	<u>98,445,600</u>
Total	27,765	549,747,000
Shipments during week	<u>5,614</u>	<u>111,157,200</u>
Balance Orders on hand	22,151	438,589,800
<hr/>		
Average Orders per mill for the week		651,958 feet
Average Shipments per mill for the week		736,140 "
Average Production per mill for the week		586,086 "
<hr/>		
Shipments exceed Production for the week	22,658,214 feet	25.60%
Orders exceed Production for the week	9,946,614 "	11.24%
Shipments exceed Orders for the week	12,711,600 "	1.29%
Decrease in Orders compared with last report	12,711,600 "	.26%

### PREVIOUS REPORTS

WEEK ENDED	MILLS REPORTING	ORDERS	SHIPMENTS	UNFILLED
Oct. 22	153	8792 cars	5575 cars	23,192 cars
" 29	147	5742 "	5889 "	22,481 "
Nov. 5	145	5221 "	5204 "	20,967 "
" 12	148	5949 "	5313 "	23,146 "
" 19	157	5803 "	5599 "	23,928 "
" 26	151	4972 "	5614 "	22,151 "

Barometer indicates percentage of Orders and Shipments above or below Production.

19,800 feet is used as basis for carload, being average sized car shipped in September.



### TRADE BAROMETER

Whenever Shipments or Orders are below Production, experience indicates an over-production, with consequent falling values.

Experience indicates that whenever Shipments or Orders are above Production, values increase, provided Production does not increase at a greater ratio than Shipments and Orders.



# Southern Pine Association

## WEEKLY REPORT OF ORDER FILE



No. 24

New Orleans, December 6, 1915

For the Week Ended Friday, December 3, 1915

### 153 MILLS REPORT:

	CARS	FEET
Orders on hand	22,720	449,856,000
Orders received during week	4,909	97,198,200
Total	27,629	547,054,200
Shipments during week	5,661	112,087,800
Balance Orders on hand	21,968	434,966,400

Average Orders per mill for the week ..... 635,282 feet  
 Average Shipments per mill for the week ..... 732,600 "  
 Average Production per mill for the week ..... 586,086 "

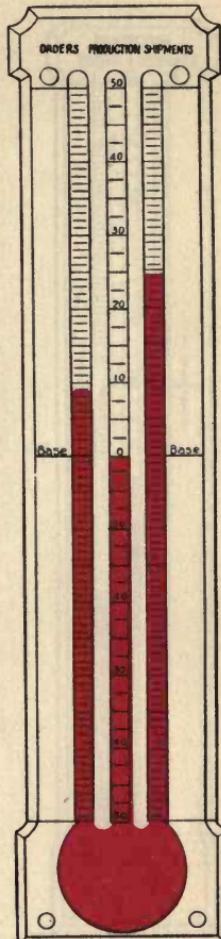
Shipments exceed Production for the week ..... 22,416,642 feet = 25.00%  
 Orders exceed Production for the week ..... 7,527,042 " = 8.41%  
 Shipments exceed Orders for the week ..... 14,889,600 " = 15.32%  
 Decrease in Orders compared with last report ..... 14,889,600 " = 3.31%

### PREVIOUS REPORTS

WEEK ENDED	MILLS REPORTING	ORDERS	SHIPMENTS	UNFILLED
Oct. 29	147	5742 cars	5889 cars	22,481 cars
Nov. 5	145	5221 "	5204 "	20,967 "
" 12	148	5949 "	5313 "	23,146 "
" 19	157	5803 "	5599 "	23,928 "
" 26	151	4972 "	5614 "	22,151 "
Dec. 3	153	4909 "	5661 "	21,968 "

Barometer indicates percentage of Orders and Shipments above or below Production, which is always shown as 'Base,' or 100%.

19,800 feet is used as basis for carload, being average sized car shipped in October.



### TRADE BAROMETER

Whenever Shipments or Orders are below Production, experience indicates an over-production, with consequent lowering of values.  
 Experience indicates that when ever Shipments or Orders are above Production, values increase, provided Production does not increase at a greater ratio than Shipments and Orders.

(Subscription price of this report to others than Association Subscribers \$5 per year.)



# Southern Pine Association

## WEEKLY TRADE BAROMETER



No. 228

New Orleans, La., Nov. 3, 1919.

For the Week Ended Friday, Oct. 31, 1919.

### 138 MILLS REPORT:

	CARS	FEET
Orders on Hand	17,123	377,202,567
Orders Received during Week	2,299	50,644,671
<b>TOTAL</b>	<b>19,422</b>	<b>427,847,238</b>
Shipments during Week	2,680	59,037,720
Balance Orders on Hand	16,742	368,809,518

### FOR THE WEEK (138 MILLS)

	TOTAL	AVERAGE PER MILL
Orders	50,644,671 feet	366,990 feet
Shipments	59,037,720 "	427,810 "
Production	72,867,815 "	528,028 "
Normal Production These Mills	86,839,795 "	629,274 "

Shipments below Production for the week..... 13,830,095 feet = 18.95%  
 Orders below Production for the week..... 22,223,144 " = 30.50%  
 Orders below Shipments for the week..... 8,393,049 " = 14.22%

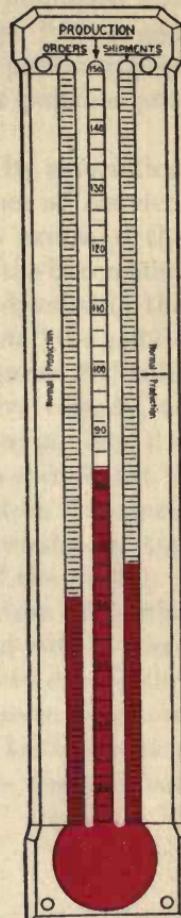
Actual Production below Normal..... 13,971,980 " = 16.09%  
 Shipments below Normal Production..... 27,802,075 " = 32.02%  
 Orders below Normal Production..... 36,195,124 " = 41.68%

Decrease in Orders compared with last report..... 8,393,049 " = 2.23%

### PREVIOUS REPORTS

WEEK ENDED	MILLS RE- PORTING	AVERAGE ORDERS (Feet)	AVERAGE SHIPMENTS (Feet)	AVERAGE PRODUCTION (Feet)	AVERAGE NORMAL PRODUCTION (Feet)	TOTAL UNFILLED CARS	Average Unfilled Orders Per Mill (Feet)
Aug.	8	151	527,251	497,054	498,696	671,702	24,146
	15	163	439,613	478,329	482,717	631,229	23,731
	22	169	392,399	498,942	497,864	629,001	24,576
	29	168	387,428	509,348	492,346	645,786	24,835
Sept.	5	162	399,118	448,575	500,474	659,647	22,321
	12	155	454,126	455,626	510,023	633,370	23,783
	19	158	369,915	445,632	520,969	631,065	21,964
	26	172	344,721	401,622	496,212	608,782	21,209
	3	160	310,993	428,441	502,166	607,603	22,055
	10	145	339,228	390,834	513,336	617,909	20,328
Oct.	17	156	381,412	410,220	475,397	605,402	18,606
	24	146	285,658	415,684	488,861	623,116	17,831
Nov.	3	138	366,990	427,810	528,028	629,274	16,742

22,029 feet is used as basis for carload being average load shipped in September.



### WEEKLY BAROMETER

Barometer indicates percentage of Production, Orders and Shipments above or below Normal Production, which is shown as "Base," or 100%



War was approaching its climax. The president of the Southern Pine Association, addressing the members, said:

When you see production exceeding shipments and stocks of lumber accumulating you should know beyond doubt the ultimate effect of such a situation is price recession. \* \* \* When conditions demonstrated by the barometer show production in a dangerous condition, we should apply the remedy individually, without consulting our neighbors and without discussing it with our friends, trusting to their business acumen and good sense to do likewise.

This appeal by the president of the association was published and circulated in an official association pamphlet entitled "Pine and Patriotism." At this time there was outstanding a public appeal by the President of the United States for the greatest possible production as a war measure.

There is also evidence herewith of subsequent efforts by association leaders to keep the membership awake to the importance of restricting their individual production proportionately to any excess of the total production over the total demand, as indicated by the barometer. In a letter of June 26, 1919, Mr. Chas. S. Keith, in discussing the general distribution of the barometers, stated that when "the public might expect a recession in values," the manufacturer "should quickly see the condition and apply the only corrective remedy," to wit, instead of normal production while the public is buying less, the manufacturer should produce less lumber." Mr. Keith stated that if this were done the buyers were welcome to the information contained in the barometers, especially since the mills had knowledge of the barometer information four or five days in advance of the public.

As shown by the association barometers, the production of southern pine has been below "normal" ever since 1916, and with the exception of six or seven scattered months the orders placed during the same period have also been below "normal." It would seem to follow that the high prices obtained for southern pine lumber have not been the result of unusual demand as such, but because the demand has almost constantly exceeded a less than normal supply.

#### PRICES AND PROFITS.

The continued shortage of production as compared with the demand has been reflected in prices and profits. For the year 1918, 39 southern pine companies paid excess profits taxes averaging 43.5 per cent on their combined sales, 13 of them paying more than 50 per cent each, as reported by them to an official of their association. These profits were made while an average price of \$28 per thousand feet or less was in effect, that figure being the Government maximum price during the last six months of 1918. The excess profits taxes for 1919, when the average price realized was \$35 per thousand, and

for 1920, when the average price at times reached from \$55 to \$59 per thousand, are not available to the Commission.

#### CONCERTED ACTION ON PRICES.

The documents show that besides regulating the production to the demand the Southern Pine Association has been the medium for direct and concerted action on prices, both before, during, and since the war. The association, however, has been less open in its dealing with the price question than many of its sister associations. Several of its prominent members had been found guilty and heavily fined by the Supreme Court of Missouri in 1914 for having conspired, among other things, for the purpose of curtailing production and fixing prices through the medium of the old Yellow Pine Manufacturers' Association, as reported in 260 Missouri Reports, page 212.

As a result of this decision, the present association was formed in 1915, and within a few months after its formation its leaders were busily engaged in a movement not only to curtail production but to advance prices. As the result of a meeting on April 20, 1915, the Southern Pine Manufacturers put advanced prices into effect and also began to curtail production. In September, 1916, Mr. Chas. S. Keith invited four of his principal competitors, who had control of the bulk of the stocks on hand, to raise their prices. This group had led in curtailing production and had accumulated heavy stocks in an effort to hold the market. Mr. Keith's invitation was accepted.

In April, 1917, the same month war was declared, prices were advanced at a meeting held in Memphis in connection with a meeting of the association directors, as shown by correspondence of Mr. Edward Hines, who was prominent in the deliberations of this meeting and described the advances made in a telegram sent to his Minnesota mill, urging the Minnesota manufacturers to advance their prices correspondingly. In October, 1917, conferences were held at Chicago and Memphis, as a result of which prices were advanced, as shown by letters, including those of Mr. Hines, who was active in these conferences and described the results secured.

In 1918 commercial orders were being favored by the manufacturers in preference to Government orders because the commercial prices were higher. The Government, for its own protection, fixed maximum prices on southern pine for commercial as well as Government purposes. The manufacturers took the position that the Government maximum prices should be treated as a minimum, and not infrequently exceeded the legal maximum. On November 22, 1918, following the armistice, the manufacturers held a national conference in Chicago. In this the southern pine manufacturers were prominently represented. The manufacturers expressed themselves as a unit to the effect that the Government maximum price should be ad-

hered to as a minimum basis until Government control expired on December 23, 1918.

A few days before the expiration of Government price control, a meeting of Southern Pine Manufacturers was held at St. Louis, Mo., under the auspices of the association's committee on sales and distribution. As a result of this meeting, documents evidence that prices were radically advanced over the Government maximum and that the market was held firm at the advanced figures in the face of a weak demand for several months. Government requests through the Industrial Board of the Department of Commerce for a reduction of prices in the spring of 1919 were refused by resolutions adopted at New Orleans, one ground given for the refusal being that concerted action to reduce prices would be a violation of the law. Yet by their concerted refusal, they ratified and confirmed their concerted action of several months previous in advancing prices. At the New Orleans meeting, Chas. S. Keith, gave notice of his right to sue for triple damages under the Sherman Law, those manufacturers who might join together to accede to the Industrial Board's request for a reduction in prices.

During the same period the Southern Pine Manufacturers conducted a campaign to induce the fir manufacturers of the west coast to raise their prices so that the advanced prices on southern pine might be maintained and further advanced. The fir manufacturers concertedly raised their prices in April, 1919, and the opportunity was thus given for southern pine to make further advances. This was followed by rapid advances in the price of fir and all other competitive woods. About this time the "build a home" campaign brought the public into the market, and prices went through a skyrocketing process, which put them, in the words of a prominent lumberman, in a letter herewith submitted, "far beyond anything the present generation ever dreamed of."

#### **MARKET CONDITIONS SUBSEQUENT TO COMMISSION'S INVESTIGATION.**

A review of the conditions obtaining in the manufacture and sale of southern pine since the close of the Commission's formal investigation in June, 1920, is of interest.

When the market showed signs of weakness last June and the recession from the abnormally high prices then current began, the mills generally curtailed their production as shown by the association barometers issued since that time. That curtailment has continued to the present. It appears that the southern pine mills as a whole have lately been curtailing to the extent of nearly 50 per cent of their normal output, that the downward price tendency has already been checked as the supply has been brought below the demand, and that prices have again started upward.

While the wholesale prices of southern pine receded materially from the unprecedented figures of last spring, the average price obtained by a representative manufacturer during December, 1920, was about \$7 per thousand feet in excess of the Government maximum of \$28, under which the industry made large profits. Item prices on substantial portions of the production are still far in excess of those obtaining under the Government maximum. An increased demand would seem to be all that is lacking to bring about much higher prices.

#### PROPAGANDA FOR PRICE MAINTENANCE.

As indicated by current trade news, the Southern Pine Manufacturers are prominent in a campaign now being organized to induce the public to believe that prices will not and can not be further reduced owing to the cost of production and that they should not further delay any contemplated building operations. In this connection, the cost of production has been enhanced by the continued operation of the mills far below their capacity and normal output.

This campaign is being conducted under the auspices of the National Lumber Manufacturers' Association, and special assessments have been and are being voted by the various affiliated regional associations to raise a large fund for the expenses of the campaign. The National Lumber Manufacturers' Association has also requested the retail lumber dealers of the country to contribute to this fund and to join in this movement to stimulate buying.

A similar campaign was successfully carried out in 1919. Many thousands of dollars were spent for advertising purposes and the retail lumber dealers and leaders of public opinion in each community were enlisted in the "build now" and "own your home" movement. As a result, prices advanced so rapidly and radically that in a few months' time the retailers began to criticize the manufacturers. A representative of the manufacturers reported the feeling of the retailers in June, 1919, in part as follows:

Very wise dealers said to me: "The mills got us to start these building campaigns, and they were a great mistake, because as soon as we got them well started the prices began to jump, and we had to raise our prices every week, and now our customers think we got the town lined up in a building campaign just so that we could raise the price. The townspeople don't know whether lumber has really gone up or not. They simply know that we lined them all up from school-teachers and children to the preachers in their pulpits, and then jumped the prices on them."

#### GENERAL PURPOSES OF LUMBER MANUFACTURERS' ASSOCIATIONS.

As indicated by the documents sent to the committee on January 10, it appears that the manufacturers of every important kind of lumber in the country are organized into associations for the purpose

of compiling and distributing information as to each element entering into the supply and demand. This enables the members to take advantage of all favorable market conditions, either by concerted action or by harmonious individual action. In fact, documents show that the more important of these associations have sought definitely to restrict the supply and at the same time to enlarge the demand, then using such artificial conditions of supply and demand as the basis on which they concertededly act as to prices. There are about 10 of these different groups or associations, covering all the important lumber-producing regions of the country. These regional bodies are federated together in the National Lumber Manufacturers' Association, which correlates and coordinates the activities of the whole industry on matters of national import, such as legislation, public and governmental relations.

Some of these regional bodies, such as the West Coast Lumbermen's Association, of Seattle, Wash.; the Western Pine Manufacturers' Association, of Portland, Oreg.; the Northern Hemlock & Hardwood Manufacturers' Association, of Oshkosh, Wis., and the Michigan Hardwood Manufacturers' Association, of Cadillac, Mich., are indicated by the documents hitherto sent you to be agencies for open price-fixing. Still others are engaged in the same kind of operations, but, judged by the documents secured by the Commission, not so openly. Some of these organized groups have been carrying on their price-fixing and curtailment activities for more than twenty years, as evidenced in a report by the Bureau of Corporations in 1914, containing a complete history of their concerted price-fixing and curtailment of production operations. The Commission's previous documentary presentation evidenced that such practices were not discontinued after the publication of the Bureau of Corporations' report. The price activities of the association first mentioned were afterwards so open that a certain lumber trade journal in 1915 characterized them as "a modern declaration of independence."



## LETTER OF TRANSMITTER

Hanover Trade Committee

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to know it not to readers? and this should not be forgotten! and all

Described in the public interest to enhance the authority of the Board in the discharge of its responsibilities and to give effect to the recommendations of the Commission on the Organization of the Board.

## PART III

# DOUGLAS FIR LUMBER MANUFACTURERS' AND LOGGERS' ASSOCIATIONS

## LETTER OF TRANSMITTAL.

---

FEDERAL TRADE COMMISSION,  
Washington, June 9, 1921.

*To the President of the Senate and the Speaker of the House of Representatives:*

Deeming it in the public interest to exercise the authority conferred upon it by paragraph f, section 6 of the Federal Trade Commission act, the Commission herewith transmits to the Congress a report analyzing the activities of the trade associations composed of Douglas fir loggers and lumber manufacturers of the Pacific coast, the chief source of the nation's reserve lumber supply. The report is also made public under the same authority.

The Commission believes that the facts herewith presented are important to an understanding of the status of an industry which is so vitally affected with a public interest through its relation to the housing needs of the Nation and its control of a basic natural resource.

The chief subjects treated in this report are as follows:

Price activities of West Coast Lumbermen's Association, (with comparisons between present quoted prices and prewar quotations).

Restriction of production under auspices of West Coast Lumbermen's Association (with analysis of recent production policy).

Cooperation between West Coast Lumbermen's Association and Western Pine Manufacturers' Association.

Price and curtailment of production activities of loggers' associations.

Relation between the log and lumber markets.

Manufacturers' profits as affected by loggers' association activities.

Long continuance of foregoing trade practices.

Increasing importance of Douglas fir region as source of supply.

Conditions in timber ownership of Douglas fir region.

Relation of lumber manufacturers to retail prices.

By order of the Commission.

Cordially yours,

HUSTON THOMPSON, *Chairman.*

### Part 3.—DOUGLAS FIR LUMBER MANUFACTURERS' AND LOGGERS' ASSOCIATION.

## SUMMARY.

In February, 1921, the Commission forwarded to the United States Senate Committee on Housing and Reconstruction an analysis of conditions in the lumber industry as affected by the activities of the Southern Pine Association of New Orleans, La. Shortly following this the Department of Justice filed a bill in equity seeking to enjoin the concerted control of production and prices which had been carried on under the auspices of that association. This action was based upon evidence furnished by the Commission. The Commission now deems it in the public interest to present a further analysis of conditions in the production of lumber, primarily with regard to similar activities of the lumber and log producers' associations of the North Pacific coast, in what is known as the Douglas fir region. Douglas fir is now second to southern pine in volume of production, but is destined in the comparatively near future to become, and probably to remain, the chief source of the country's lumber supply.

The documentary evidence upon which this analysis is based was procured from the files of the associations concerned with the production of Douglas fir. Upon the basis of the data there collected, confirmatory evidence was then sought and found in the files of their prominent officers and members. The documents from which quotations are given are but a few of thousands secured by the Commission during its investigation.

The conclusions which the Commission believes are properly shown by and deduced from this evidence may be summarized as follows:

*First.* Between 1915 and 1920 wholesale quotations on fir lumber increased from 300 to 500 per cent, and most items doubled in price after the armistice. Notwithstanding substantial reductions since the spring of 1920, on some items quotations still range about as they were in May and June, 1919, and on others as they were in the spring of 1917. On substantial portions of the production present quotations are still more than double the October, 1915, prices. Fir logs are quoted as of May, 1921, at prices identical with those which were fixed by the War Industries Board as the wartime maximum, and which the loggers continued in force as the minimum until June,

1919. These comparisons are based upon the published quotations of the manufacturers and loggers.

*Second.* The loggers and lumber manufacturers of the Douglas fir region are organized for the purpose of taking concerted action on the prices of logs and lumber, supporting the prices so fixed by means of concerted restriction of production. They have been engaged in such activities for 20 years or more. As production concentrates in fewer and stronger hands, the control of these organizations over the market becomes more and more effective.

*Third.* The ownership of standing timber in the Douglas fir region, the chief source of the nation's reserve supply of lumber, is concentrated in the hands of a comparatively few strong concerns. The organized efforts of lumber producers to control prices are based upon their ability to control production; and control of timber is the key to control of production.

*Fourth.* The relation between the fir log and fir lumber markets is such that ordinary manufacturing profits tend to be absorbed in the price of logs and the valuation of timber, particularly on falling wholesale lumber markets. The frequent and present claims of unprofitable mill prices are largely explainable by the collusive action of loggers and timber owning mills in enhancing the value of logs and standing timber.

*Fifth.* The success of the Douglas fir loggers' and manufacturers' concerted efforts to advance prices in 1919 was threatened by the importation of Canadian logs, and led to efforts to prevent such importation. Failing in this, the British Columbia loggers became affiliated with the American association and adopted the latter's prices.

*Sixth.* In addition to a similar exchange between fir and southern pine manufacturers, prompt notice of price action is given each other by the fir manufacturers and those of western pine, for the purpose and with the effect of securing harmonious price action by both groups. The western pine manufacturers have adopted without change the prices of the fir manufacturers on certain classes of lumber and use the higher coast freight rate in quoting delivered prices on such stock.

*Seventh.* The long continued existence of artificial methods of controlling the prices and production of Douglas fir was shown by the Bureau of Corporations in 1914.

*Eighth.* Despite the fact that retail prices on lumber in January, 1921, had not been reduced proportionately to the decline in wholesale prices, the manufacturers joined hands with the retailers in an advertising campaign to revive buying, which, if successful, will tend to prevent such a reduction in retail prices.

## ORGANIZATIONS OF PRODUCERS IN DOUGLAS FIR REGION.

The lumber manufacturers of the territory west of the Cascades in Oregon and Washington are organized under the name of West Coast Lumbermen's Association, with headquarters at Seattle, Wash., and a membership of about 200. This association represents 90 per cent of the entire lumber production of the territory. There are two classes of lumber manufacturers in the association. First and most influential are the manufacturers who own and log their own timber. Second, there are a number of manufacturers who own no timber but buy logs on the open market from a special group of timber owners who own and log their own timber but do not manufacture lumber. These timber owners who supply nontimber-owning mills are known as loggers and they also have several association organizations, covering the various logging districts, such as Puget Sound, Grays Harbor, and Columbia River. The various districts have a federated body known as the Pacific Northwest Loggers Bureau. A prominent fir manufacturer is on record to the effect that the loggers supply about one-third of the lumber production of this territory as an independent business. In some cases, such as the Weyerhaeusers, the same interests not only manufacture lumber from their own logs, but operate logging concerns which sell to mills having no timber.

## PRICE ACTIVITIES OF WEST COAST LUMBERMEN'S ASSOCIATION.

As the first step in its method of dealing with prices, this association compiles printed lists, which fix the relative values of different items, the charges for special sawing and dressing. These lists are known as basic lists and do not represent actual selling prices.

They are considered of great importance by the manufacturers, however, in preserving uniformity in the relations between the price of different woods, grades, and sizes. These basic price lists have been compiled by the association's price-list committee and have been copyrighted in the name of the association. Basic lists were issued openly in the name of the association until the fall of 1919, after the lumbermen knew of the Commission's impending investigation. Secretary Allen, of the association, then telegraphed from Washington, D. C., that the legality of the basic lists was doubtful.

To complete the scheme of pricing, of which the basic lists are the first step, the mills comprising the association jointly prepare standard discount sheets, which, when used in conjunction with the standard basic price lists, give the net selling prices for each size, grade, and wood produced. The actual compilation of these dis-

count sheets has been in the hands of various association committees such as those on values, market conditions, price lists. Ordinarily the issuance of new discount sheets has been immediately preceded by general conferences of the manufacturers called by officers of the association. At these conferences the conditions of supply and demand, as well as any changes in the prices of competitive woods, are considered, and decisions reached to make certain changes in the discounts. The discount sheets themselves are published in the name of various printers, but the information is furnished them by parties authorized by the conferences of the manufacturers.

The next step in the scheme is for individual manufacturers to issue these discount sheets in their own names, and frequently the basic lists also, in this way ratifying and adopting the association prices. The evidence of agreements to quote and in many instances to maintain the prices incorporated in the discount sheets is very specific, and the manufacturers show in their correspondence that they look upon all this activity as a part of their association work. Association officials take the public attitude that discount sheets are not the work of the association, but frequently take action which belies such attitude. Secretary Allen, of the association, with the knowledge of impending investigation, in October, 1919, telegraphed his office that "it is urgently advisable that mills do not issue concession sheets as a result of any meeting or conference." Yet such conferences have been the origin of most, if not all, discount or concession sheets. Occasionally such sheets have been issued for the primary purpose of establishing the previous one more firmly as the actual market price.

The prices promulgated in the basic lists and discount sheets cover all the important woods produced by the members of the association, including fir, hemlock, spruce, and cedar. The prices on spruce, however, are largely the result of conferences among the spruce mills, which form a more or less distinct group within the association. The association also has a shingle branch which has named a standard price for the red cedar shingles of the mills affiliated, and which actively furthered efforts to shut off the supply of a wholesaler who was inclined to "bear" the abnormally high prices of December, 1919.

An example of the character of the Commission's evidence of the prewar activities of the fir manufacturers is found in the following extract from a letter of January 23, 1917, by F. A. Martin of the H. H. Martin Lumber Co. to L. J. Wentworth, chairman of the market conditions committee of the West Coast Association. Mr. Martin said:

I am pleased to inform you that we had a meeting of the mills in southwestern Washington this afternoon and a very representative meeting. Every mill spoke very favorably of conditions as they now exist and a very favorable outlook for the lumber business during 1917. All were unanimously in favor of supporting and upholding discount No. 15 and a motion to that effect was carried unanimously. Mills that were not represented in this district were to be notified by the secretary, Mr. Wonderly, of the action of the meeting and their cooperation asked in supporting discount No. 15.

The discount sheets continued to appear at more or less frequent intervals during the war, but the association's connection with them during 1917 was apparently not so open as both before and since the war. When the Government fixed maximum prices in June, 1918, the association's connection with the discount sheets became more open. The Government maximum prices were arrived at by taking as a basis discount sheet No. 22, dated February 15, 1918, and changing certain item prices. The new prices were then embodied in discount sheet No. 23 and issued under date of June 15, 1918. Hemlock and red cedar were not affected by the Government price fixing order and yet were included in the discount sheets issued during the war period. In discount sheet No. 23 hemlock and red cedar were quoted at advances over the prices shown in the discount sheet which preceded it.

After the Government fixed the maximum limit of fir prices, the association proceeded to treat the Government maximum prices as the minimum at which sales would be made, both for Government purchases and commercial orders. The official minutes of the regular monthly meeting of the West Coast Lumbermen's Association, held June 28, 1918, recite that:

It be the sense of the meeting that the commercial market on lumber be represented by discount sheet 23, and that the association pledge itself to the Government to deliver these cantonment orders on that basis in record time.

Again, on September 7, 1918, the manager of the Clear Lake Lumber Co. wrote J. P. McGoldrick, of Spokane, as follows:

Regarding the meeting at Tacoma. The meeting was very well attended, and the principal part of the Coast was represented. Everybody seemed to be very much interested with what the balance of the manufacturers are going to do, but they finally decided and agreed to stick to discount No. 23 for the next 30 days.

They all agreed that while there was practically no business, cutting prices would not bring any more.

Upon the expiration of Government control in January, 1919, the fir manufacturers resumed their general conferences and meetings for the preparation of discount sheets. A new sheet was issued under date of January 25, 1919, the day following a meeting at which it was adopted. Writing on January 27, 1919, to the president of the company, a representative of the E. K. Wood Lumber

Co. of Bellingham, Wash., described the action taken at the meeting on the 24th as follows:

There was a meeting of sales managers in Tacoma Friday. While we have not received any official notice of the results of this meeting, we understand that it was agreed that No. 25 was the market and that all those at the meeting would hold for that price.

April, 1919, was the turning point in the wholesale lumber markets in the transition from war to postwar conditions, after a period of several months, during which buyers withheld purchases in the expectation of lower prices and the manufacturers stood firm on the prices which they had adopted subsequent to the armistice. The southern pine manufacturers had advanced their prices in December, 1918, with the result that an unusually wide margin existed between the price of southern pine and fir in the markets of the Middle West, threatening the stability of the southern pine market. The southern pine manufacturers urged the fir manufacturers to advance their prices, pointing out that they were "simply competing with themselves" and that increased prices on fir could be secured for the asking. After a campaign of correspondence and personal solicitation had been carried on for several months, a meeting of the fir manufacturers was held under auspices of the West Coast Lumbermen's Association on April 8, 1919.

The results of this meeting may be described in the words of R. P. Arkley, assistant sales manager of the St. Paul & Tacoma Lumber Co., who wrote J. H. Austin of Kansas City, Mo., chairman of the Southern Pine Association's committee on sales and distribution, on April 10, stating:

You may be interested to know that the West Coast Manufacturers had a very enthusiastic meeting in this city yesterday and that the opinion was very freely expressed that fir should demand considerably more money. It was decided by the West Coast Lumbermen's Association to issue a new discount sheet which will be known as Discount Sheet No. 2, applying to the new Rail "B" price list, which has just recently been issued to take the place of our May 1st list. This will advance the price of Common Boards and 2" dimension \$1.00, #2 and Better Drop Siding, \$2.00 6' No. 2 Flat Grain \$2.00 over discount Sheet No. 25 and will put the mill base price of Timbers at \$20.00. This action we believe, will be welcomed by our Yellow Pine friends.

The rapidly increasing demand resulting from the shortage of housing facilities and the propaganda-encouraged conviction of the public that prices would not decline, made further increases possible. So another meeting was held on May 1st. Schwager & Nettleton of Seattle, Wash., described the action taken at this meeting in a letter to the John Schroeder Lumber Co. of Milwaukee, Wis., dated May 3, 1919, stating in part:

In view of the demand for yard stocks, at an Association meeting held in Tacoma, Wash., day before yesterday, prices on practically all items were

advanced. We presume you are familiar with Rail B list and discount sheet No. 2. At the Association meeting all vertical grain flooring, stepping, 5/8 ceiling and corn cribbing were advanced \$2.00 per thousand. All S. G. Flooring, one-inch ceiling, common boards, and small plank were advanced \$1.00 per thousand over discount sheet No. 2. Timbers were advanced to a \$25.00 f. o. b. mill base on 12x12. We are inclined to believe that these advanced prices can be maintained with the exception of the prices on the timbers.

Prices were again advanced on two separate occasions during May and June and so radically that one of the members of the association's committee on values wrote to the chairman protesting that he was "quite opposed to coming out with so many discount sheets with such radical advances," that "we believe concerted action of the part of the mills should be dropped from now on," and that "the present method of issuing discount sheets so often attempts (tends) to show collusion on the part of the manufacturers which I believe will have a bad influence on the industry."

Between July 8 and July 12, 1919, a number of the leading fir manufacturers issued discount sheets making uniform advances of from \$3 to \$10 per thousand on fir and as high as \$20 per thousand on cedar siding. It was probably to these advances that H. S. Dewey, sales manager of the Edward Hines Lumber Co., of Chicago, referred in a night letter of July 14 to R. B. Allen, secretary of the West Coast Association. Mr. Dewey said:

*More power to your good right arm recent price advances have furnished the needed stimulant and the only weak spot seems now to be with your members on timbers tell them they cannot create a demand for so much as a single carload by offering concessions buyers are now scared by the weakness and are waiting the rumor about accumulation of boards at southern mills, false as the proverbial tale of the whale and Jonah on the contrary, nothing on hand and prices have advanced three to five dollars the past week. I will be the first to tell you the truth about any unfavorable symptoms Hemlock and Norway dimension in North are licked no dry stock yellow pine not to be had—if you have any you can get your price for it. (Italics inserted.)*

Following this fir prices continued to advance throughout the remainder of the year 1919 and during the early months of 1920 until they ranged from \$20 to \$50 per M feet above the basic list of 1919 which, of course, was intended to be subject to substantial discounts. For some reasons, one probably being their recognition that the prices were unreasonably high, general conferences of the manufacturers to consider and adopt discount sheets were not held after June, 1919. On the other hand a number of the leading manufacturers and the association's committee on values continued to exchange views on market conditions and to act in concert in the issuance of discount sheets. When the still rising prices in 1920 made necessary the preparation of a new basic list by the association price list committee, the discount sheet applicable thereto was compiled and distributed by the printers on the basis of individual manufacturers' discount sheets.

The printers admitted that they deliberately used prices higher than the average of such sheets.

#### CURRENT MARKET QUOTATIONS.

The mill prices of fir lumber prevailing at the present time, as quoted in the current trade press, show extreme variations between the various grades and classes of lumber. While all grades and classes have fallen from 50 to 75 per cent from their abnormal heights of the spring of 1920, high-grade flooring and finish remain at about the price quoted in June, 1919. Flat grain flooring is quoted at about the price existing in April, 1917. Ceiling is quoted at about the prices of May, 1917; common boards at the prices of September, 1916; common dimensions at the prices of April, 1917; fir plank and small timbers at May, 1917, prices; and large timbers at the prices of May, 1919. The increases between October, 1915, and March, 1920, were over 300 per cent on some items and over 500 per cent on others. Most items doubled in price following the armistice. All these items except flat grain flooring and common boards are still more than double the prices existing in October, 1915. A further exception is ceiling, which is almost double.

These comparisons will serve as the basis for a judgment as to how far present fir prices approximate prewar values. With the exception of the May, 1921, prices they are based upon the official discount sheets representing the prices agreed upon by the fir manufacturers.

#### RESTRICTION OF PRODUCTION UNDER AUSPICES WEST COAST LUMBERMEN'S ASSOCIATION.

The West Coast Lumbermen's Association followed the example of the Southern Pine Association in the compilation of a weekly barometer, consisting of a pictorial presentation of three perpendicular tubes labeled *production*, *orders*, and *shipments*. The relative height of the red color in these tubes serves as an automatic guide to the production policy of the mills. L. C. Boyle, legal adviser of the lumber interests, expressed the opinion to Mr. Chas. S. Keith, a leading southern pine operator, in 1919, that the west coast "people are now very largely converted to your philosophy," one element in which was the emphasis placed upon control of production as distinguished from price agreements. The west coast association modeled its weekly barometer after that of the Southern Pine Association and until July, 1916, carried an explanatory note to the effect that the relation of orders and shipments to the production as graphically shown by the barometer "will indicate over or under production." Within a few weeks following the action of the Southern Pine Association in showing by the barometer the relation of orders, shipments, and production not only to each other but to

"normal," the West Coast Association made a similar change. Since January, 1920, the West Coast Association has restricted the circulation of its barometer to the members of the association and prevented its publication, thus paralleling the action of the Southern Pine Association in 1917, which Mr. Keith characterized as evidence of manipulation.

There was an organized and apparently very successful curtailment among the fir manufacturers in 1916. This movement was the counterpart of a similar one in the South and in both sections a minimum curtailment of one day per week was aimed at. Curtailment on this basis continued throughout the summer on the Pacific coast and 80 per cent of the fir manufacturers were reliably reported to have joined in the arrangement. Chas. E. Patten, one of the committee in charge of the curtailment program, described it in a letter of July 31, 1916, to J. P. McGoldrick, of Spokane, Wash. Mr. Patten said:

Our curtailment movement has been the greatest success we have ever undertaken. A great majority of the mills realizing that it was absolutely necessary to keep the production within the limit of demand if we were to get the cost of manufacturing out of our lumber. Will say, that for the past 6 weeks very close to 80% of the mills in Oregon and Western Washington have been closed. As an illustration; in Bellingham & Everett every mill was closed. Seattle every mill but one; Portland every mill but one; Raymond part of the time every mill and part of the time a majority; in Southwestern Washington fully 70% of their districts have done about as well with the exception of Grays Harbor, where we have had a great deal of trouble to make them realize that it was necessary to curtail; they all admitted the necessity, but every one wanted some-one-else to make the sacrifice, however, for the last two weeks practically every mill in Grays Harbor has been closed. A great many of us feel that it is necessary to continue this curtailment until the crops in the Middle West are assured and I am in hopes that the curtailment will continue for the next 2 to 4 weeks or until conditions justify our operating to full capacity.

During 1917 and 1918 the association barometer shows that fir production remained below "normal" for the most part, but there is no direct evidence of concerted action to restrict production during the war. Strikes and disputes with labor were an important factor in reducing production below normal during much of the war period. Following the armistice, production was generally reduced among the manufacturers of Douglas fir in accordance with the consensus of opinion reached at a national conference of lumber manufacturers held in Chicago, on November 22, 1918. Following this conference, the assistant secretary of the West Coast Association was engaged in collecting and reporting information to the effect that there would be a complete close-down of the fir mills and logging camps for an indefinite period on account of market conditions. Even under the stimulus of the enormous price in-

creases of 1919 and 1920, the production of Douglas fir has seldom approached "normal" and for the most part has remained well below "normal."

As in the case of southern pine, the West Coast Association barometer shows that the demand for fir ever since 1916 has been very generally below "normal." At the same time demand has been rather consistently in excess of supply. Fir prices showed their steadily rising tendency, therefore, not because the demand was abnormally great as such but because the supply was not equal to it.

When it became apparent in June, 1920, that orders at the abnormally high price levels then current were not keeping pace with the production, production was curtailed. Under the stimulus of high prices during the spring of 1920 and up to June 30, the production, as shown by the association weekly barometer, had never ranged lower than 10 per cent below "normal" and several times approximated "normal." Beginning with the first week of July, however, production dropped to 22 per cent below "normal," and has not exceeded 85 per cent of "normal" since that time. With declining wholesale prices, production gradually decreased still further during the fall of 1920. The month of November showed no week with less than 20 per cent below "normal," and December no week with less than 30 per cent below "normal." During the first three months of 1921, the weekly production has ranged from 41 to 76 per cent below "normal." Since the Commission's field investigation in fir territory was completed in the spring of 1920, it can not be stated to what extent the later greatly curtailed production was the result of concerted action.

For the period of 18 weeks ending May 7, 1921, the association barometer shows that fir production has been kept considerably below orders and shipments. Such a condition is one to which the note long appearing on the Southern Pine Association barometer would apply:

Experience indicates that whenever Shipments or Orders are above Production values increase, provided Production does not increase at a greater ratio than Shipments and Orders.

#### COOPERATION BETWEEN WEST COAST LUMBERMEN'S ASSOCIATION AND WESTERN PINE MANUFACTURERS' ASSOCIATION.

The action taken by the members of the West Coast Association on prices is promptly communicated to members of the Western Pine Manufacturers' Association, representing the manufacturers of eastern Oregon, eastern Washington, Idaho, and Montana, and has frequently served as the basis on which the western pine manufacturers concertedly advanced their prices. At times the community of in-

terest and action has been so close that the western pine manufacturers adopted the basic price list and discount sheets of the fir manufacturers for certain classes of their own lumber, using also the higher coast freight rates so as not to cut under the fir mills on delivered prices. Thus, for example, on February 27, 1919, the secretary of the Western Pine Manufacturers' Association issued a circular to the members as follows:

We find there has been apparently some misunderstanding over a circular recently sent out on this subject. Our opinion is that the mills in our territory are generally selling fir and larch dimension and timbers on the basis of the West Coast price list absolutely, and discount 24. This meant exactly what it said; in other words, in using the Coast list, members, I take it, are using the Coast delivered rate of freight. For example, in selling a to a 52¢ rate point from Spokane, Coast list for 55¢ rate should be used.

This for your information.

An illustration of the purpose and effect of the exchange of information between the fir and western pine groups is found in the following correspondence. On May 28, 1919, the sales manager of the St. Paul & Tacoma Lumber Co., of Tacoma, Wash., a leading fir operator, wrote the Craig Mountain Lumber Co., of Craig Mountain, Idaho, as follows:

We acknowledge your letter of the 23rd and note that you expect a meeting in Spokane on Saturday. We wired you today as per copy enclosed and confirmed as we expect to attend a meeting today of lumbermen and would be glad to have a report from different market territories with reference to conditions.

The telegram referred to read:

Please wire immediately result of Spokane meeting and brief report market situation Inland Empire.

On the same day the Craig Mountain Lumber Co. replied by telegram as follows:

Western pine advances one, two and three common and D Select two dollars, C select three dollars, B and Better five, D siding fifty cents, C siding one fifty, B siding two fifty, Lath fifty cents, battens one dollar, fir dimension and timbers five dollars, four boards two dollars, three boards four dollars, one and two boards five dollars, selects three dollars, white fir and cedar three and better two dollars. Understand practically all mills sold out on fir and very low on all items of pine except three and four boards. Demand good now on number three and inquiries heavy on four. Disposition general not to book any volume in advance.

On May 31 the St. Paul & Tacoma Lumber Co. replied as follows:

We are very glad indeed to get your wire outlining recent advances in your market. This was read to the writer over the telephone at the lumbermen's meeting Wednesday afternoon and was of considerable assistance in guiding the opinion of those present.

The fir manufacturers had adopted Discount sheet 5 as the result of the meeting above referred to.

**PRICE AND CURTAILMENT OF PRODUCTION ACTIVITIES OF LOGGERS' ASSOCIATIONS.**

During the latter part of the war period the price activities of the loggers were somewhat limited by the fixing of a maximum price on logs by the Government. When these maximum prices expired in January, 1919, the loggers continued them in effect for several months as their minimum prices, notwithstanding a weakening fir lumber market. This action was accompanied by a general close-down of the camps which began about the middle of December, 1918, and was continued until February, 1919. Writing on January 11, 1919, to Chas. S. Keith, a prominent southern pine manufacturer, J. H. Bloedel, a leading fir manufacturer and timber owner, said:

The most important items entering into the cost of coast lumber is the price of logs. The loggers very generally have remained closed down and at a recent meeting determined to remain so closed until February 1st. This is maintaining the present price of logs, which is \$12.00, \$16.00 and \$20.00.

In March, 1919, the loggers held a meeting at which they decided to "stand pat" on prices and threatened a 30-day shut-down of the camps if it became necessary to reduce log prices.

Writing on March 18 to the Crossett-Western Lumber Co., of Wauna, Oreg., the manager of the Weyerhaeuser Timber Co., of Everett, Wash., said:

Yours of March 13th at hand regarding log prices. The statement which you make that logs are being moved at \$10.00, \$14.00, and \$18.00 is at variance with published reports and reports from the loggers, but we are more inclined to believe your statement than theirs, because undoubtedly the loggers are making a bold fight to keep up the price.

All of the large logging camps on the Sound are selling at \$12.00, \$16.00 and \$20.00, and there is no large surplus of logs. In fact, I don't believe there is any surplus, nor is there a shortage. Some of the smaller operators are offering logs at \$1.00 off the market. However, some of the loggers have been talking reducing prices and also wages, but at a meeting held Saturday, the 15th, they decided to stand pat on both items for the present.

We have been looking for some time for a break to come about April 1st, and the loggers say in case it is necessary to reduce the price of logs, they will all close down their camps for thirty days, commencing April 1st, and start up May 1st, at a reduced scale of wages.

We have bought no logs at less than \$12.00, \$16.00, and \$20.00, and will not make an aggressive fight to lower the price, but under the present lumber market it certainly seems that we will have to buy logs for less.

The Weyerhaeuser interests are important factors in both logging and milling.

Early in April the loggers met with the manufacturers and reaffirmed their adherence to the war-time maximum prices. The mills claimed that they could not pay such prices and make a profit at the existing market price for lumber. As shown elsewhere, the

mills concertedly advanced the price of lumber on April 8 and thus the pressure for lower log prices was removed.

Late in May and early in June the loggers of various districts advanced the price of logs in view of the three advances made by the manufacturers during May. Writing on June 7, 1919, E. B. Chinn, secretary of the Puget Sound Loggers Information Bureau, described the action of the loggers as follows:

I regret that you were not able to be present at last Saturday's meeting at which time the price of fir logs was discussed. While personally I favored more of a notice to the mills, the meeting which was largely attended, was practically unanimous in a desire to do as was done. It is a fact that word was sent to a meeting of mill men held in Tacoma several days before our meeting that there doubtless would be an early change in the price of logs and to make their arrangements accordingly. As they were discussing price at that time they probably are better prepared than they are willing to admit at this time. Furthermore, some of the mill men have assured me that this raise has been expected for some time. I notice their new discount sheet No. 5 states at the very top: "Prices subject to change without notice."

A development which threatened the maintenance of the advanced prices above referred to was an increased importation of logs from British Columbia at the former level of prices. Appeals were made to members of Congress and to the United States Forest Service to protect the American loggers from this invasion. It was suggested that the War Trade Board might issue orders which would shut out the foreign logs. Efforts to prevent the importation of Canadian logs proving unavailing, affiliation of the British Columbia loggers' organization with those of the American loggers was secured, and in October, 1919, representatives of the British Columbia district participated in a meeting of the Pacific Northwest Loggers' Bureau. A circular issued by the Columbia River Loggers' Information Bureau under date of February 11, 1920, shows that the price of logs in Puget Sound, British Columbia, Grays Harbor, and Columbia River, as developed at a meeting of the Pacific Northwest Loggers' Bureau, had been stabilized at the same figure.

The importance of control of production as a means of maintaining the abnormally high prices obtaining at that time is shown by certain correspondence. Under date of January 17, 1920, Joseph Irving, president of the Loggers' Information Association, of Seattle, wrote the secretary in part as follows:

We had a trustee meeting here this morning, and Mr. Horton, Webb, Williams, McCoy, and Chisholm were present.

There is practically no change of any consequence since you left, but I think that Wright for the Weyerhaeusers is weakening, and with the camps all staying down until the first of February I don't think there will be any difficulty in putting in the price of \$17, \$23 and \$28.

Further information was sent to the secretary by the association under date of January 21, 1920, as follows:

We are enclosing yesterday's report which covers a very small volume of business. Have not heard of anyone starting up excepting Clear Lake, which put five sides in yesterday. Incidentally, Moore sent out 140 men Saturday. Horton is running one side as he says he has to get 5,000,000 out some time in May. *He has agreed, however, to limit his number of sides during February as the others are to do.* The Weyerhaeuser mills were to start Monday. We read yesterday of some other mill that was putting on a night shift. I do not recall just what mill it was. (Italics inserted.)

#### RELATION BETWEEN THE FIR LOG AND LUMBER MARKETS.

The loggers, timber-owning and nontimber-owning mills have a common interest in high prices for lumber and it is when prices are rapidly advancing that there is the least friction between them. Unless lumber prices are advancing the interests of the loggers and the nontimber-owning mills tend to be diametrically opposite. Except under the stimulus of advancing lumber markets, the prices charged by the loggers for logs tend to increase the cost of production of the nontimber-owning mills to a point where there is little or no margin of profit. This is particularly pronounced when lumber prices fall and the loggers refuse to reduce the price of logs proportionately. There have been a number of instances when nontimber-owning mills were unable to operate on the margin which the loggers permitted to remain between the cost of logs and the selling price of lumber. The conditions during the latter part of 1920 form the most recent example of this situation.

On the other hand, the timber-owning mills may be said to occupy a strategic position, much superior to that of their nontimber-owning competitors, and also superior to that of the loggers. Most of the timber-owning mills have large supplies of standing timber or stumpage secured at low figures many years ago, since when the value of their holdings has largely increased. As lumber manufacturers, they are in position to secure whatever profit there may be in the process of manufacture on the same footing as the nontimber-owning mills, by buying logs and reserving their own timber supply. Or, if they desire, they may log their own timber and realize on their stumpage at a profitable figure. In either event, however, prosperous conditions in the lumber market reflect themselves in the value of the stumpage or standing timber. It is in their desire and ability to enhance the value of their stumpage that the interests of the loggers and the timber-owning mills coalesce. Under the circumstances it is not surprising that the timber-owning mills look with a friendly eye upon the efforts of the loggers to advance or maintain the price of logs and that the loggers encourage and at times almost dictate advances in the price of lumber.

Writing to J. F. Ives, of the Stimson Mill Co., under date of August 4, 1919, E. B. Chinn, secretary of the Loggers' Information Association, brought out the common interest of the loggers and timber-owning mills in stumpage values. He quoted one of the directors of the Pacific Lumber Inspection Bureau, an organization of mills devoted primarily to the grading of lumber, as stating that "those mills who did their own logging were just as vitally interested in getting the highest possible price for their stumpage as the independent logger. This item of stumpage is the common ground around which we can all gather."

#### MANUFACTURERS' PROFITS AS AFFECTED BY LOGGERS' ASSOCIATION ACTIVITIES.

The claim made that the marked restriction of the fir output since June, 1920, has been forced upon the mills by their inability to operate at a profit, should be considered in connection with the fact that a radical curtailment of production was inaugurated, as shown by the association barometer, when the market first showed unmistakable signs of recession from the highest and most profitable levels it had ever known. It should also be considered that the loggers maintained peak prices on logs for months after wholesale lumber prices had shown substantial declines, with the result that the nontimber-owning mills found their margin of profit so small that numbers of them were probably unable to operate. This is the chief basis for the claim that present prices are less than the cost of production. The loggers and the timber-owning mills are in position to absorb all but the barest operating margins in the price of their logs and the value of their stumpage and thus the nontimber-owning mills can not show a profit. The cost accounting system of the West Coast Lumbermen's Association naturally includes the costs of a number of mills which pay the prices for logs collusively fixed by the loggers' associations and supported by frequent shutdowns of the logging camps.

In March, 1919, when similar claims of a loss to the mills were being made by West Coast Association officials, George A. Cooper, of Hazel Mill Co., Bellingham, Wash., wrote the secretary disputing such claims. He said:

I note with much interest your circular letter of the 17th and am inclined to think there may arise considerable misunderstanding from reading it. I do not think you intend to say that 83% of the mills are losing \$4.67 on their lumber output, or in fact that they are losing any sum. It is hardly conceivable that the members of your Association should cheerfully lose money at this rate for the sake of the dear public, and yet this is what you apparently say.

The general supposition is that the leaders of the lumber industry are in the main pretty frugal men and show a degree of prosperity that would hardly warrant the statement that they are standing a loss of one to three thousand dollars

per day with such apparent cheerfulness. Among my acquaintances I cannot recall one who would consent to take a loss of one dollar per thousand, let alone four or five times that amount.

The writer then proceeded to put his finger upon the flaw in the contention of a loss to the mills:

The fact that the logging end of the industry shows about the profit that you claim loss for the lumber cutting end of the industry is beginning to be pretty well understood in the East, as is also the fact that there is a very large overrun in the log cut above the log scale. Taking these two facts into consideration, it is beginning to filter through the minds of some people that the mills operating on their own logs are keeping the price of logs at the top for a purpose and that there is a disposition in some quarters to "camouflage" the situation so that the whole truth may not appear.

Arguing that the claims of a loss were bad policy under the circumstances, Mr. Cooper continued:

It should always be remembered that the Middle West is always for cheap lumber, and the fact that some of the members of your Association take on large orders for much less than the price on which you base your claim for a loss, will, it appears to me, weaken your argument very seriously. These low priced sales are well known, and certainly will reach the ears of government officials. I have no brief to criticize the judgment of the Association, but it looks to me that it is not wise to "protest over much" since the evidence of actual sales at so much lower prices than are being openly quoted are so easy to be found, that it might be embarrassing, and that any more investigating would be seriously to the disadvantage of the whole industry. The thing that might do some good would be an investigation of the log trust.

Again, A. L. Osborn, a prominent manufacturer of Wisconsin hemlock and hardwoods, after returning from a visit to the Pacific coast in the summer of 1918, reported:

I know that cost statements are gotten up showing that lumber is hardly bringing a fair return but from such questions as I asked and such information as I obtained, I feel that most operations are being conducted at costs that enable a realization of a very fancy price for fir stumpage.

The prices now being quoted for the three grades of fir logs as reported in the lumber trade press are \$20, \$16, and \$12, respectively. These are the identical prices which were fixed by the Government as the maximum during the war and which were adhered to as the minimum basis by the loggers following the armistice and until June, 1919, when a series of concerted and radical advances in price began. It is futile to expect a permanent reduction in wholesale fir lumber prices to anything like a prewar basis in the face of these war prices for logs.

#### LONG CONTINUANCE OF FOREGOING PRACTICES.

The Bureau of Corporations' report published in 1914 showed a long-continued practice on the part of the West Coast Lumbermen's Association, its predecessor organizations, and the manufacturers

composing them, of fixing prices by concerted action, including the compilation and use of uniform basic price lists and uniform discount sheets. No essential break in the price activities of the West Coast Lumbermen's Association took place after the publication of the Bureau of Corporations' report in 1914. In 1915 the association's methods with regard to prices were so open as to evoke the comment in one of the lumber trade journals that they constituted "a modern declaration of independence."

The Bureau of Corporations' report also showed that the efforts of the mills affiliated with the West Coast Association concertedly to control and restrict production go back to 1904. A number of curtailment movements were organized between those dates, one of which in 1911 embodied a signed agreement to close the mills one day each week for a period of several months.

With regard to the logging situation the bureau's report presented evidence showing that for more than ten years the loggers of the Douglas fir region had been fixing the price of logs by concerted action through their several organizations and had frequently resorted to concerted curtailment of production as a means of supporting their actual or proposed action on prices. The community of interest between the loggers and the timber-owning mills was disclosed and the community of action between their respective associations on price and production policy was illustrated by documentary evidence published by the bureau.

The seriousness of the conditions involved in the foregoing is emphasized when considered in the light of the increasing importance of the fir region in the nation's supply of lumber, and the basic conditions of timber ownership existing there.

#### **INCREASING IMPORTANCE OF DOUGLAS FIR REGION AS SOURCE OF SUPPLY.**

The chief source of the country's supply of softwood lumber at the present time is the southern yellow pine region, comprising the Gulf and South Atlantic States. Softwoods furnish the lumber which is best fitted and most widely used for ordinary building and construction purposes, forming 80 per cent of the total annual lumber production. For a number of years the production of southern yellow pine has been decreasing, having fallen from a total of 16,000,000,000 feet in 1909 to less than 11,000,000,000 in 1918. While some of this decreased production is no doubt due to natural conditions, the systematic control of production by the mills affiliated with the Southern Pine Association has also been a factor.

A recent survey covering 5,400 mills owning or controlling practically all of the remaining virgin stand of southern yellow pine

timber, indicates that nearly 82 per cent of these mills will have cut out in 5 years or less, and that in 20 years all but 12 of the mills will have exhausted their present supplies of timber. In 10 years the southern pine region promises to yield first place as a national source of lumber supply to the Pacific coast, just as it in turn had supplanted the Lake States.

The production of Douglas fir is now about one-fourth of the country's entire output of softwoods and about one-sixth of the output of all kinds of lumber.

#### CONDITIONS IN TIMBER OWNERSHIP OF DOUGLAS FIR REGION.

Control of reserve supply of stumps is the key to control of the production of lumber and to the prices and profits involved in its wholesale distribution. It is well to consider, therefore, some of the basic conditions obtaining in the Pacific Northwest, the last great reservoir of the country's future lumber supply. The most authoritative and reliable study of the timber resources of the United States was that published in 1913-14 by the Bureau of Corporations, predecessor of the Federal Trade Commission.

More than half of the country's total supply of timber is located in the 5 States of Oregon, Washington, Idaho, Montana, and California. More than 60 per cent of the timber in these 5 States is located in the States of Oregon and Washington, and more than 80 per cent of the timber in Oregon and Washington is located in the region comprising the western slopes of the Cascade Mountains. This last is the territory covered by the West Coast Lumbermen's Association and the loggers' associations which form the subject of the report. In this comparatively restricted territory there were some 620,000,000,000 feet of privately owned standing timber of various softwood species. The principal kind of standing timber in this district is Douglas fir, amounting to 73 per cent of the total. Other species in the order of their amounts are hemlock, cedar, and spruce, each of which forms less than 10 per cent of the total stand.

This 620,000,000,000 feet of standing timber is over 28 per cent of the entire privately owned timber in the United States, including both softwoods and hardwoods. It is more than 61 per cent of the total privately owned timber in the 5 States of Oregon, Washington, Idaho, Montana, and California.

The Bureau of Corporations' study also disclosed a striking degree of concentration in the ownership of standing timber generally, and a concentration which was particularly pronounced in Oregon and Washington west of the Cascades.

In Oregon west of the Cascade Mountains 2 holders were found to own or control nearly 24 per cent of all the standing timber; 7

holders nearly 38 per cent, 13 holders 45 per cent, 21 holders 51 per cent, 45 holders 55 per cent, 82 holders 63 per cent, 119 holders 67 per cent, and 184 holders 70 per cent of all the timber.

In Washington west of the Cascades 2 holders were found to own or control about 35 per cent of the total standing timber; 5 holders 44 per cent, 12 holders 51 per cent, 31 holders 60 per cent, 63 holders 68 per cent, 107 holders 74 per cent, and 183 holders controlled 79 per cent of the total standing timber.

Broadly speaking, the passage of time will serve only to accentuate the concentration of timber ownership existing at the time of the Bureau of Corporation's investigation, and the effectiveness of the producers' control over the market through their trade associations. Time has already brought about a high degree of cooperation between the southern pine producers and the fir manufacturers on the subjects of prices and production. This cooperation has been and will be further strengthened by the fact that some of the leading manufacturers of southern pine have been investigating in fir stumpage with a view to transferring their operations to that section when their southern pine stumpage is exhausted. Others have been operating in both sections for some time past.

#### RELATION OF LUMBER MANUFACTURERS TO RETAIL PRICES.

Lumber manufacturing interests are an influential factor in the ownership of the retail lumber business of the West and Middle West. An unpublished study by the Bureau of Corporations in 1914 showed that in the entire country west of the Mississippi River (excluding Louisiana) and including the States of Wisconsin, Illinois, and Indiana, more than 20 per cent of all retail lumber yards were affiliated with the manufacturing or wholesale branch of the trade. When wholesale prices advanced so steadily during the war period and so rapidly in 1919-20, the retailers were in a position to secure added profits on their stocks on the theory of replacement value. On declining wholesale markets the retailers are prone to apply the theory of actual cost rather than replacement value. As in the case of other commodities, many retailers of lumber did not make the same relative reduction in prices as had taken place in the wholesale market late in 1920. In the January, 1921, conferences of the manufacturers at which the present "build now" campaign was inaugurated, their leaders "warned against the possible danger of antagonizing the retail lumbermen by any effort to show that they have not passed on to the consumer the decreased prices which the manufacturers have put into effect," and "pointed out the grave danger of antagonizing the retailers by drawing any comparisons between their present prices and present wholesale prices."

Following this the lumber manufacturers under the auspices of the National Lumber Manufacturers' Association invited the retailers to join hands in their present "build now" advertising campaign, involving either an active or tacit defense of the existing scale of retail prices.

This report is made public under authority of paragraph (f), section 6, of the Federal Trade Commission act, which directs the Commission—

To make public from time to time such portions of the information obtained by it hereunder, except trade secrets and names of customers, as it shall deem expedient in the public interest; and to make annual and special reports to the Congress and to submit therewith recommendations for additional legislation.



## LETTER OF SUBMITTAL.

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FEDERAL TRADE COMMISSION,  
Washington, February 15, 1922.

*To the President of the Senate and the Speaker of the House of Representatives:*

On three occasions during the past year the Federal Trade Commission has sent to Congress, and at the same time made public, reports showing the existence of practices in restraint of trade, on the part of various organized groups of lumber manufacturers. The most important of these groups were the Southern Pine Association of New Orleans, La., and the West Coast Lumbermen's Association of Seattle, Wash.

The reports are the result of an inquiry made at the request of the Department of Justice and in each instance the report and the evidence on which it is based has been transmitted to the Department of Justice, as well as to Congress.

In two of these reports passing reference was made to the activities of the Western Pine Manufacturers' Association with headquarters at Portland, Oreg. Since the territory in which this organization operates is the nation's third largest producing section for softwood or construction lumber, and the lumber there produced is becoming an increasingly important factor in the construction needs of the country as a whole, the Federal Trade Commission having completed its inquiry as to the practices of this association and their effect upon competitive conditions, acting under paragraph f, section 6 of the law creating it, now considers it advisable in the public interest to present for the information of Congress and the public a special and more exhaustive analysis of this association's activities.

The chief subjects treated in this report are as follows:

Origin and scope of lumber inquiry by Federal Trade Commission.

Position and influence of Western Pine Manufacturers' Association in the industry.

Price activities of Western Pine Manufacturers' Association.

Price, costs, and margins of western pine manufacturers.

Price activities of box bureau of Western Pine Manufacturers' Association.

Price activities of Montana lumber manufacturers.

Relation between association's price-fixing activities and its use of common freight basing point.

## Relation between association's price-fixing activities and practice of scant sawing.

## Relation between association's price-fixing activities and uniform discounts to and discriminatory classification of wholesale trade.

## "Open price" features of Western Pine Manufacturers' Association methods.

## Cooperation between Western Pine Manufacturers' Association and West Coast Lumbermen's Association.

## Cooperation between Western Pine Manufacturers' Association and California and Minnesota pine producers.

## Restriction of production under auspices Western Pine Manufacturers' Association.

Long continuance of foregoing activities by Western Pine Manufacturers' Association.

By order of the Commission. **NELSON B. GASKILL, Chairman.**

NEESON, B. GASKINS, & ROBERTSON

**NELSON B. GASKILL, Chairman.**

## Part 4.—WESTERN PINE MANUFACTURERS' ASSOCIATION.

### SUMMARY.

Acting at the request of the Department of Justice, the Federal Trade Commission in November, 1919, commenced an inquiry into the practices of various associations of lumber manufacturers. More than a year ago, and as the work progressed it has transmitted to the Department of Justice the results of its inquiry with the evidence supporting its statements. With the consent of the Department of Justice the Federal Trade Commission has also made public reports covering the same subject matter. This report is one of that series.

The present report deals almost entirely with the methods and purposes of the Western Pine Manufacturers' Association, and as readily seen is based upon documentary evidence secured from the files of the association and its more prominent members. It should be understood that even this rather detailed presentation is far from exhausting the documentary evidence in the Commission's possession.

The ultimate conclusions of fact which the Commission believes are warranted by the documentary evidence secured and that analyzed herein may be summarized as follows:

*First.* The lumber manufacturers of Idaho, western Montana, eastern Washington, and eastern Oregon have organized and conducted the Western Pine Manufacturers' Association for the primary purpose of agreeing on the prices of their lumber, most of which is sold in the markets of the Middle West. The activities of the association in advancing prices by concerted action were contemporaneous with a steadily rising price level between 1915 and 1920.

*Second.* Notwithstanding price reductions from the peak of the runaway market of 1919-20, ranging as high as 68 per cent on the lower grades, most of the present prevailing quotations are far in advance of war time levels and none touch prewar levels. On better grades of Idaho white pine present quotations are substantially higher than those prevailing at the peak of the runaway market in February, 1920.

*Third.* The price advances made by prominent members of the Western Pine Manufacturers' Association during the runaway market of 1919 were characterized by the more conservative members and manufacturers as "radical," "incredible," and "tremendous." The president of the association referred to them as "anarchistic" and the secretary warned that they "were inviting an effort to nationalize the lumber industry soon." The directing head of one of the most

prominent interests in the association in 1918 characterized a certain price level as "absurd," "exorbitant," and stated "it will never stand investigation." Yet this level was reached and passed in 1919 and 1920. When prices had reached their peak in February, 1920, and demand was wavering an advertising campaign was proposed to stimulate it.

*Fourth.* In periods of depression the association members have resorted to concerted curtailment of production for the purpose of maintaining the prices arrived at through concerted action, and as a basis for recurring cycles of increased prices upon renewed demand. In the fall of 1921 prices were advanced on the basis of depleted stocks brought about by a reduction of over 50 per cent below normal in the 1921 output. Notwithstanding a nation-wide housing shortage, members estimate that their production for 1922 will not be over 50 to 60 per cent of their 1921 production, and there is trade talk of another runaway market.

*Fifth.* Since their organization in 1905, the association members have given united and uninterrupted attention to the control of prices and production. The most undisguised efforts of that character were indulged in by this group shortly following exposure of lumber manufacturers' association methods by the Bureau of Corporations in 1914. The exigencies of the World War merely strengthened the efficiency of their collusion, and there is reason to believe that the Commission's investigation in 1920 has had no deterrent effect.

*Sixth.* Approximately 80 per cent of the lumber output of their territory is in the hands of members of the Western Pine Manufacturers' Association. Since the ownership of standing timber in this territory is in the hands of a relatively few strong concerns, most of which are members of the association, the power of the association over the market for its woods will almost inevitably increase, unless restrained by judicial action.

*Seventh.* The association members have been prominent in the maintenance of a box bureau through which prices of boxes and box material have been fixed by concerted action. The prices so fixed have been a direct charge upon the fruit-growing industry of the so-called "Inland empire" and mountain States, as well as upon the meat-packing industry centered at Chicago.

*Eighth.* The members of the Western Pine Manufacturers' Association in Montana have a separate organization which fixes prices within that State and which are followed by the other districts of the association. Outside the State the prices of the Western Pine Manufacturers' Association are followed by the Montana manufacturers.

*Ninth.* In order to make the uniform prices promulgated by the association effective, not only at point of shipment, but at destina-

tion, the members have adopted a common freight basing point. This frequently involves additions to mill prices in the shape of unpaid but arbitrarily calculated freight.

*Tenth.* Like many other organized groups of lumber manufacturers, the members of the Western Pine Manufacturers' Association designate and sell their lumber by dimensions which are larger than the actual size, a practice known in the trade as scant sawing. The association has standardized the extent of this discrepancy in an effort to eliminate what was characterized as a form of price cutting. It has penalized this form of price competition by the imposition of a heavy price differential on stock which exceeds the official standard of thickness by as little as one-thirty-second of an inch.

*Eleventh.* As an adjunct to maintenance of uniform prices, the Western Pine Manufacturers' Association has endeavored to standardize the discounts from the official prices which its members allow wholesalers and to secure common recognition of those concerns which are entitled to such discounts. Powerful retail concerns have been given the advantage of these wholesalers' concessions by individual members of the association.

*Twelfth.* The association has certain so-called "open prices" activities, but these have been incidental and supplemental to the fixing of prices by agreement.

*Thirteenth.* There has been an active cooperation between the Western Pine Manufacturers' Association and the West Coast Lumbermen's Association, with the purpose and effect of harmonious action on prices and production. The action taken by each group is promptly communicated to the other and the information conveyed has frequently been the basis of similar action by the other. On certain woods the Western Pine Manufacturers' Association adopted not only the price of the west coast, but the coast freight rate as well, although several hundred miles nearer the consuming markets than the coast.

*Fourteenth.* There has been active cooperation between the Western Pine Manufacturers' Association and the producers of pine in California, with the purpose and effect of harmonious price action on "shop" lumber, much used in the manufacture of sash and doors.

NELSON B. GASKILL, *Chairman.*

VICTOR MURDOCK.

JOHN F. NUGENT.

HUSTON THOMPSON.

## ORIGIN AND SCOPE OF LUMBER INQUIRY BY FEDERAL TRADE COMMISSION.

As a result of information of which it became possessed, the Department of Justice requested the Federal Trade Commission to put its statutory powers in action for the purpose of determining whether and to what extent the practices and usages of the several associations of lumber manufacturers in the United States were in conflict with the antitrust laws. This meant in reality the continuation of an inquiry on the same subject matter, conducted by the Bureau of Corporations whose report was published in 1914.

Accordingly, in November, 1919, the Federal Trade Commission renewed the inquiry and as rapidly as the facts could be determined with reference to a particular association or group, a report was prepared treating of that association or group. These reports, together with the evidence collected during the inquiry, supporting the statements of the report, were transmitted to the Department of Justice.

The inquiry included about twelve principal associations or groups of associations. Preliminary reports upon the more important associations were transmitted to the Department of Justice in June, 1920, and final reports have followed as the inquiry was closed in various stages and the completed collection of evidence brought under consideration.

With the consent of the Department of Justice, the disclosures resulting from this inquiry have been compiled and published by the Federal Trade Commission, in reports to Congress. The first of these published reports presents a general survey of the activities of the more important associations of lumber manufacturers in their relation to the antitrust legislation. It was issued in January, 1921. The second report dealt almost exclusively with the Southern Pine Association, which represents the most important producing region of the country. This report appeared in February, 1921, and was immediately followed by the filing of an injunction suit against the association by the Attorney General. The action is still pending. A third report was issued in June, 1921, dealing almost entirely with the West Coast Lumbermen's Association, which represents the second largest producing region of the country.

The present report shows the activities of the Western Pine Manufacturers' Association, which represents the third largest producing region of the country. Not only do violations of the antitrust legislation appear in this report as in the preceding reports but an interesting development is the relationship between these three associations and their close touch in matters relating to markets and prices.

This report, as its predecessors, with the supporting evidence, goes to the Department of Justice as well as to Congress.

**POSITION AND INFLUENCE OF WESTERN PINE MANUFACTURERS' ASSOCIATION IN THE INDUSTRY.****Organization.**

This association is composed of the leading manufacturers of the so-called "Inland Empire," comprising eastern Washington, eastern Oregon, Idaho, and western Montana. They take their name from the principal species produced, western yellow pine, though Idaho white pine is also very important in their output with mixed woods, such as larch, white fir, and cedar, a substantial factor. The association is a voluntary organization, though in 1919 its incorporation was urged as a measure of safety under the antitrust laws. About 50 concerns compose the association and in 1916 they controlled about 80 per cent of the total output of lumber in their region. About two-thirds of the total output of western yellow pine comes from the territory covered by the association. While the total output of the region was only about 7 per cent of the total softwood lumber output of the country in 1918, the percentage has increased since then and with the growing depletion of the southern pine region as a source of supply the Inland Empire will be called on for a larger and larger part of the nation's lumber.

There are three more or less distinct groups of mills in the association, comprising what is known as the Spokane, Montana, and eastern Oregon districts. Each district accords the others a dominant voice in certain phases of the association price councils. The Spokane district is recognized as the leader in regard to white pine, the Oregon district in regard to western pine, and the Montana district on other woods, particularly as to sales within the district. The Montana manufacturers have even maintained a separate association, known as the Montana Lumber Manufacturers' Association, but practically all its members are also members of the Western Pine Manufacturers' Association, and it has functioned largely as an adjunct of the latter. While each district group is in a position to control prices in its immediate territory, and have its decisions recognized by the others, it is important to note that the bulk of the output of the entire region is marketed in the Middle Western and Eastern States. The three districts have united, therefore, in the exploitation of these great consuming markets.

**Concentration of timber ownership in association territory.**

The power of the association over the market is greatly strengthened by the fact that its members control both the bulk of the present output in their territory and the bulk of the standing timber, the basic requirement for future production. It is impossible to state the exact facts as to concentration in the ownership of standing timber in the territory covered by the Western Pine Manufacturers'

Association at the present time, but the Bureau of Corporations' report of 1913, Part 1, gave the facts as they then existed, so that the present situation may be approximated. About 7 per cent of the total privately owned standing timber in the Pacific Northwest is located in Idaho, Montana, eastern Oregon, and eastern Washington. In Idaho three holders controlled about 46 per cent of the total standing timber, 6 holders controlled 58 per cent, 10 holders 64 per cent, and 19 holders about 70 per cent. In Montana 6 holders controlled nearly 80 per cent of the total privately owned standing timber, while 5 holders controlled about 50 per cent and 12 holders 82 per cent. The bulk of the association output is concentrated in these two States. With regard to the western and white pine of Washington, the bureau's report showed that 2 holders controlled 36 per cent of those woods in that State, 10 holders controlled 38 per cent, 29 holders controlled 44 per cent, and 63 holders controlled about 50 per cent. In Oregon 2 holders controlled 27 per cent of the western and white pine, 7 controlled 35 per cent, 16 controlled 40 per cent, and 45 controlled about 50 per cent.

There are few, if any, producing regions of the country where the present and future output of lumber is in fewer hands. A comparatively small number of powerful groups dominate the situation. The most important are the Weyerhaeuser interests, the Amalgamated Copper Co., the Chicago, Milwaukee & St. Paul Railway, the Shevlin-Carpenter companies, and the Blackwell-Panhandle, McGoldrick, Ecoles, and Brooks-Scanlon mills.

#### Price activities.

This organization has dealt with prices in even bolder fashion than the West Coast Lumbermen's Association. Some show of effort was made by the latter organization to conceal its connection with the preparation of uniform price lists representing net selling prices. For several years prior to the Federal Trade Commission's investigation the Western Pine Manufacturers' Association made no effort to conceal its responsibility for the preparation and circulation of such price lists. These lists have been largely the work of the association's market committee and frequently reflected the consensus of opinion reached at regularly called meetings of the association. They have been printed and circulated under the direction of the association's secretary. He also sends out from time to time whatever corrections and interpretations are found necessary, and takes members to task for cutting prices.

These are the chief differences between the policy of the two associations referred to. Otherwise, the scheme of pricing used by the

Western Pine Manufacturers' Association is very similar to that of the West Coast Lumbermen's Association. The first step is the compilation of printed lists, which set the association's opinion of the *relative* values of the different kinds of wood and the different classes, grades, and sizes of lumber produced from each wood. These lists also show the association charges for special sawing and surfacing. They are known in the trade as basic lists and are not intended to represent actual selling prices. These basic lists were copyrighted by the Western Pine Manufacturers' Association in 1917, and contain the words, "Compiled and issued by the Western Pine Manufacturers' Association." In February, 1920, during the progress of the Commission's investigation, the president of the association wrote the secretary favoring delay in the compilation of a new basic list, stating "it might possibly be decided after the investigation of the Federal Trade Commission that it is not the proper function of the Western Pine Association to issue price lists or to sell them." Nevertheless, a new basic list was issued by the association under date of June 1, 1920, and another as recently as December 1, 1921.

To complete the scheme of pricing initiated by the promulgation of basic lists, the association prepares, prints, and circulates standard concession cards, quoting prices in terms of discounts from the basic lists. Taken separately, neither the basic lists nor the concession cards quote a net selling price; but together they result in the quotation of a net selling price on each size, grade, class, and wood produced. The concession cards identify themselves in the following manner and form:

Prevailing Concessions from Western Pine Manufacturers Association Price List of January 1, 1917. Dated January 17, 1917—Discount #1.

Both the basic lists and concession cards are printed in such a way that any individual manufacturer may make them his own by the simple expedient of stamping his name or having the printer insert it in a space left for that purpose. This is ordinarily done, and in this way the individual manufacturer ratifies and executes the association's decisions as to the prices which are to be quoted. Other manufacturers get out their own concession cards, but they are usually mere duplications of the association prices. The members exchange concession cards and instructions to salesmen, in this way notifying each other of their adoption of the association prices.

The foregoing methods alone, carried on consistently over a period of years, would be strong evidence of agreements and understandings to do the things which are done, but there is other evidence available. The ordinary business correspondence of the association and its members shows that they regarded their price activities as

involving a mutual understanding and a moral obligation to act in concert.

Typical evidence will now be presented showing that the above statement is applicable to the activities of the Western Pine Manufacturers' Association, not only before, but during, and subsequent to our entry into the World War.

#### Pre-war price activities.

Writing to A. W. Cooper, association secretary, on September 24, 1914, the Polleys Lumber Co. of Missoula, Mont., said:

After getting home and going over the situation carefully with Mr. Lansing relative to the White Pine proposition as outlined and agreed on at the meeting, it seems that there was not a very definite understanding if any understanding at all as to the time that this agreement would cover, although the inference would be that it should cover a sufficient time until a report on the sales could be made or another meeting called for.

The writer went on to discuss the accumulation of No. 3 stock and stated:

We doubt very much if they can maintain the price on #3 that we have established, and move it, and move we must, situated as we are with our stock shed and shipping facilities, and for this reason we are taking the matter up with you to get an expression from other mills regarding this grade.

All other grades we are in position to stick to as long as anybody and are going to stick to this until we have some definite understanding with the Association, however, we feel certain it is going to curtail our orders very much although we have put it up to all of our representatives in the territory right on the square as agreed on and have asked them to make every effort possible to move the stock.

He referred again to the meeting as follows:

Personally I feel that the meeting should result in a lot of good, at the same time I think the arrangement was very loosely carried out. In fact as I sized the situation up, I thought they were trying to corner somebody in the convention, and as I had taken rather an active part did not want anyone to feel that we were backward in maintaining the standard price established.

In a letter of September 2, 1915, to the Baker White Pine Lumber Co., the association secretary said:

I am inclosing herewith the concession sheet that is now in effect. Prices are going to be made, I am sure, absolutely on the basis of his sheet.

On February 29, 1916, the secretary wrote J. P. McGoldrick, one of the leading association members, in part as follows:

We expect to hold a meeting here tomorrow morning to prepare a concession sheet for the new Price List. While it is impossible to say what advances will be made, from what I have gathered from the Western Pine Mills, believe they will advance 4" No. 2 and 4" No. 3 Common Western, also 6" No. 3 Western. The Craig Mountain has already issued a schedule advancing 4" No. 2 and 4" No. 3 to the 8" price in each grade. I think it probable also that some advance will be made in D. Select Idaho Dimension and possibly Idaho No. 4 Boards.

Certain price advances made at an association meeting in December, 1916, called forth criticism from David Eccles, a prominent Oregon member of the association. Writing to Secretary Cooper on January 7, 1917, Mr. Eccles said in part:

Was very sorry that the last price meeting that was called in Portland, was made on such short notice, as I would like to have been in attendance.

The action taken at that meeting I did not favor at all, and my reason for it is that when we discussed the matter of prices at our conference in October it was understood that there would be no bothering with the prices of western pine until after the revision of the grading rules for western pine was passed upon.

Secretary Cooper replied to Mr. Eccles on January 12, stating that all the western pine mills represented at the meeting "favored the advance—in fact, most of them wanted a greater advance than was thought advisable in the wind-up of the meeting."

Mr. Cooper went on:

It seems to me that two things stand out distinctly. One is your local territory that is from Salt Lake and southern Idaho territory. In that district it is recognized by everybody that the Oregon mills shall make any price they see fit, meeting among themselves, and if they will inform the other mills, these mills will respect that price. Outside of that territory the price on western pine as any of our other woods is a matter that is as much the concern of one district as another, but those who opposed an advance on western pine were certainly a very small minority of those present at the Portland meeting, taking either from the point of view of number or production of western pine.

Before going to Portland, we also found out that the Montana mills generally were very desirous of any advance. Whether the advance was wired or not is another matter but it certainly was well thrashed out in Portland and as the meeting was in session all day and discussed it from every angle, finally reaching the conclusion that it did, don't you think it a bit unfair to say the white pine people are responsible for it or that they dominated the thing?

#### Price activities during war period.

The entry of the United States into the World War early in April, 1917, stimulated the demand for lumber and provided the association members an opportunity to make further price advances. A general advance was made on April 25, but some of the mills issued special price lists higher than the association list. In a letter of May 18, 1917, Secretary Cooper wrote the Great Northern Lumber Co., of Leavenworth, Wash., in part as follows:

Referring to your letter of May 16th, requesting two copies of 5-A discount sheet applying on January 1st list.

Beg to advise that this discount sheet is not official, No. 5 being the last one issued by us. This sheet you have no doubt previously received. The 5-A card is one which has been issued by a number of the mills in this association independently as prices changed from the official discount sheet.

Further advances were made on May 15, 1917. On May 17, G. F. Hagenbuch, of the Panhandle Lumber Co., wrote F. W. Lewis, of the Blackwell-Panhandle Sales Co., in part as follows:

I received copies of the telegram sent the salesmen in regard to the advance in price, decided upon at the meeting last Tuesday. As I remember it, in the talk we had, there was nothing said about dimension or Fir & Tamarack, other than it was all to be \$2.00 advance, straight through on everything. When was this change made?

Writing to Secretary Cooper on August 22, 1917, the Oregon Lumber Co. said in part:

Will advise you that prior to the Portland meeting we were quoting and receiving a few orders on the basis of \$30.00, \$35.00 and \$45.00 f. o. b. a 52 cent rate, and we firmly believe that these prices are plenty high enough. However, at that meeting such interests as Shevlin-Hixon and Boise Payette, who have more stock on hand than we have thought they could get \$32.50, \$37.50 and \$47.50 on a 52-cent rate, and as our salesmen were at that meeting, writer instructed them to use these new prices.

When prices were again advanced in September, 1917, the McGoldrick Lumber Co. of Spokane sent all members of the association copies of its telegram to salesmen advancing prices and asked for information as to other members' prices. A large number of the members replied to the effect that they had made similar advances, and one of them, the Eureka Lumber Co., said:

Replying to your inquiry of the 13th, addressed to our Mr. Weil, would say that he was in attendance at the meeting at Spokane and concurred in the adoption of the new discounts of September 12th.

Early in January, 1918, prices were again advanced. Writing on January 10, 1918, to T. A. McCann of the Shevlin interests, W. C. Geddes of the Oregon Lumber Co. said in part:

Your letter of the 7th received and will state that we were advised of the advance made at the recent meeting held at Spokane \* \* \*

We also gleaned from his telegram that the meeting was largely to decide on a new price list which was to be gotten out. We have not received any advice as to whether this part of the work was carried through. The only advice we have had is that they decided to put in an advance on Western Pine.

Mr. Geddes further expressed the opinion that the advance was premature and inopportune and that "the annual meeting would have been the proper place to have discussed the matter of raising prices."

On June 15, 1918, the Government was forced, for its own protection in the purchase of lumber for military purposes, to fix maximum prices on the two chief species of softwood lumber, southern yellow pine and Douglas fir. The Government's action, however, did not extend to western and Idaho white pine, the chief woods produced by members of the Western Pine Manufacturers' Association.

On June 12, 1918, Secretary Cooper wrote F. W. Lewis, of the Blackwell-Panhandle sales office, in part as follows:

At a meeting here yesterday, as you will no doubt notice from the new discount sheet, the Oregon mills adopted the same basis as Spokane for the territory west of Chicago. They plan to sell on the 5-cent advance in rate in that territory at once.

On June 17, G. F. Hagenbuch, of the Panhandle Lumber Co., wrote R. M. Hart, general manager of that company, as follows:

Your letter of the 14th inst. received upon my return to the office after a trip to Montana to attend Montana and Western Pine Assn. Friday night and Saturday. Had a very satisfactory meeting, and all agreed with practically what the Spokane district and Eastern Oregon district have done in the way of price raising.

The maximum prices fixed by the Government on southern pine and Douglas fir on June 15, 1918, largely prevented further advances in those woods. The Western Pine Manufacturers' Association, not being handicapped by similar regulations, continued to function as a price-raising body. On July 23 F. C. Becker, secretary of the Montana Lumber Manufacturers' Association, wrote H. G. Miller, one of his members, in part as follows:

I just had a long distance from Frank Lewis, Spokane, saying that their new price list is ready and altho phone was not working well I think I understood him to say that they were not going to send it out until after Saturday the 27th and are going to have a market committee meeting Saturday morning in the Hutton Building, and would like *awfully well* to have the sales-managers there to discuss the whole proposition, and they do really want some of the Montana mills represented, and he said that for certain reasons it is essential for as many as possible to be there.

Writing to Mr. Becker on July 30, A. G. Naundorf, one of his members, said in part:

As stated to you in my wire of last week, I attended the meeting in Spokane last Saturday and secured the necessary advance to place the new Spokane discounts, applying to their new list, in line with Coast Discount No. 23 as far as Larch and Fir is concerned.

On August 7, Mr. George Stoddard, of the Grande Ronde Lumber Co., wrote R. E. Irwin, of the Boise-Payette Lumber Co., as follows:

What do you hear regarding the shop<sup>1</sup> market? Since putting into effect the prices agreed on at the Baker meeting, a few weeks ago, we haven't seen a single sale in the Bureau reports at these prices. In fact, all sales up to date have been reported at the old prices, plus the additional for advanced freight. Our mills have quite a little shop on hand and we do not intend to hold out for the new prices when everybody else is selling under us.

In replying on August 9, Mr. Irwin argued against price cutting and said:

We believe it is and will be poor policy to cut the price of shop now, as it will simply mean a repetition of what was done last year—cut our price, sell our stock and then have the sash and door people give us the laugh on this proposition.

There is to be a semi-annual meeting of the Association on the 14th at Missoula and we think it would be a good idea to have this matter threshed out there and find out what the real market is on shop. After that time, we

<sup>1</sup> For explanation of term "shop" see p. 137.

will have a better idea of what the value of prices is and, if I were you, would not make any changes in shop prices until I had gone over this matter with the manufacturers at the Missoula meeting. This is only the writer's personal opinion, but it does seem a shame to sell shop below the figures that the manufacturers represented at the Baker meeting felt were the market of this stock.

Mr. Stoddard thereupon wrote that he would not take any action until after the meeting.

The attitude of a prominent member of the Western Pine Manufacturers' Association toward price cutting by a member of the Montana association and the methods used in arriving at association prices are shown by the following extract from a letter of September 9, 1918, written by F. W. Lewis, of the Blackwell-Panhandle sales office, to Secretary Becker, of the Montana association:

If the Eureka Lumber Company is cutting the prices in South Dakota through our old friend Gaynor Lumber Company, we certainly do not like it. I feel that the Spokane District as a whole has done everything possible to further the interest of the Montana mills and we feel that the Eureka Lumber Company should be in line with everybody else. Only recently at a meeting in Spokane we advanced our prices on certain items, because the Eureka Lumber Co.'s man was here and said that it would please his concern very much, as well as the other Montana mills if we did so.

A salesman of the Milwaukee Land Co. had complained to his house about the Eureka Lumber Co. cutting prices. Writing on September 2, he had said in part:

Will you kindly look into the matter and ascertain if the Eureka Lumber Company, Eureka, Montana, are not members of the Association and supposed to adhere to our prices down this way.

A circular issued to his members by Secretary Becker on September 16 contains the following:

At the request of our President, your Secretary attended the meeting of operators and sale managers of the Inland Empire held in Spokane on September 13th, and all except three of the Inland Empire mills were represented, and from Montana, The Polleys Lumber Company was represented by Mr. J. P. Lansing, and of course your secretary.

The paramount issue was Market Conditions and almost the entire day was spent on that subject and at the conclusion everyone expressed his intention that regardless of the Coast Discounts they would maintain their present concessions.

In the fall of 1918 demand for lumber slackened and the maintenance of the then existing market, rather than further advances, became the aim of the manufacturers.

On October 23 J. P. McGoldrick of Spokane wrote Secretary Becker of the Montana association as follows:

I acknowledge your letter of October 4th regarding concessions in prices. If you could run across some antiquated reader of history, he will probably

inform you that a mouse caused the overflow at one time at Amsterdam, and in these modern commercial times small variations may cause the overthrow of our present satisfactory price situation. You realize that we are at a crisis. The writer, with whom these infractions are taken up in this district, desires to avoid any personality in this matter as much as possible and feels that it is up to your office to check these variations and exercise good judgment by calling attention to them.

On November 4 the association secretary, Mr. Cooper, issued a circular pleading for price maintenance and stating:

In this committee while reviewing the application of the list it may be well to emphasize the vital necessity of not allowing our market to be broken. There is a slackness in demand due to our lack of adjustment and the various restrictions recently placed on our business, and to conditions in the industrial centers of the East, as well as to the season of the year. Any concession in price is not going to enlarge our market at this time or move any additional stock, while there are many reasons why any break in the market will re-act to our disadvantage in other ways than financial, and in view of the high cost of manufacturing it would seem most unwise to attempt to move stock in this way. In spite of rumors to the contrary, our observance leads us to believe that the market is being generally well maintained and we would urge upon all manufacturers the great wisdom of steadfastly maintaining this policy.

#### Post-war price activities.

Two days following the armistice, namely, November 13, 1918, R. E. Irwin, of the Boise-Payette Lumber Co., wrote W. C. Geddes of the Oregon Lumber Co. urging the importance of the earliest possible meeting, and stating, "we surely should maintain the present prices on lumber if we are to make any money—and that is what we are in business for." A general meeting of the association was held on November 21st. The official minutes state that the general opinion was that "nothing warranted the forcing of the situation by price cutting." On November 25 Secretary Cooper issued a bulletin which contained the following:

1. Discount card 2 is being well maintained, and it seems to be the consensus of opinion that it should remain so as anybody well informed on the market with whom we have talked believes no benefit is to be derived from weakening in price at this time.

An effort was made to make it appear that price maintenance had governmental sanction. The secretary sent out a circular under date of December 18, 1918, in which it was stated that "everybody there (in Washington) is warning producers in all lines against price cutting at this time," and that "any weakening in the price situation is bound to scare off buying." He went on to say:

It is with this in mind that the Government attitude has developed. There is every indication that the manufacturers of this territory have been pretty well guided by the principles set forth herein, despite what may appear to be occasional lapses on specific sales. I think in view of this almost official

analysis of the business situation that it behooves every one of the members and manufacturers in our territory to sit very tight. I think everyone appreciates that some firms feel the need of business to keep their shipping departments going or else to meet obligations, but the crux of the whole matter is that they are not going to solve their problem by cutting prices. The patter we stand as a whole, the sooner will buying develop.

In January, 1919, prices on shop lumber were advanced but other prices were merely reaffirmed. There was a weakened demand for lumber during the winter of 1919 and a strong sentiment arose in the association for lowering prices. The Weyerhaeuser companies in particular favored lower prices and telegraphed to that effect on January 19 to F. W. Lewis, of the Blackwell-Panhandle sales office. The following joint reply was telegraphed on the same day by Mr. Lewis and the managers of three other companies:

McCann and full attendance of Montana mills met here yesterday and fully realizing conditions decided to maintain card three until the annual meeting February fifth when everybody can be heard. Cut suggested by you on mixed woods will force a cut of like amount on number three four and five Western and four and five Idaho. Impossible to get in touch with Oregon on short notice. We feel we should hold firm until annual meeting. Wire your decision.

The minutes of the association's annual meeting on February 5, 1919, showed that "things were very quiet, but that there was a prospect of fairly good business ahead." Certain reductions were made at this meeting in the price of fir and larch, but the price of western pine was advanced.

In the spring of 1919 demand for lumber suddenly revived, and this afforded the manufacturers an opportunity of which they made such use that there resulted the runaway market of 1919-20. On April 15 the McGoldrick Lumber Co., of Spokane, Wash., circularized its competitors, pointing out the shortage of stocks and adding:

Our impression is that the Inland Empire manufacturers could easily demand \$1.00 to \$2.00 per M more than their Common lumber at the present time, and that they would receive just as much business at the advanced prices, as they are getting at current quotations.

Of course, it would take concerted action to produce this result. No one concern can accomplish it, and the dealers are not going to march up and offer to pay a dollar or two dollars per M additional, unless they are forced to.

All that needs to be done, according to our judgment, is for the manufacturers to make a substantial advance in their prices, and they will receive as heavy a volume of business, if not heavier, than is now coming to them.

A meeting of the association was called for May 2 and 3, 1919. The action taken at this meeting may be described in the words of W. C. Geddes, sales manager of the Oregon Lumber Co., who was present. Writing to David Eccles, manager of the same company, on May 6, Mr. Geddes said:

On the matter of changing prices, will state that I fought against any change whatever in any way on any items unless it might be a No. 3 Common and

there seemed to be a determined effort to advance No. 2 and Better Common \$3.00 to \$4.00 and we were so busy in meetings during the day that the Market Committee could not get together until evening. We met Friday night and were in session from 8.00 o'clock until 1.30, wrangling out these changes. I was the only one from Eastern Oregon as you know, on the Committee and had the balance of the committee to fight alone on the change.

Further advances were made at an association meeting on May 24, 1919. On May 26 G. E. Stoddard, of the Grand Ronde Lumber Co., wrote the association as follows:

The writer was not in attendance at the meeting held in Spokane Saturday, but have heard from other Eastern Oregon men who were present that very material changes were suggested in prices. Please send us an outline of the present market as it was represented, at the earliest possible time, so that we can revise our quotations accordingly.

Another meeting of the association was held on June 27. T. A. McCann, president of the association, described the results in a letter of June 30 to E. L. Carpenter, of Minneapolis, as follows:

Our meeting at Spokane was so optimistic that I had difficulty in holding from an advance on Western Pine. Fir and Larch Dimension was advanced \$1.50. Discount Card No. 6 has been put into effect by everybody on Western Pine, although it was only a week ago that Boise-Fayette put it in and the Weyerhaeuser Agency has been taking orders on Card No. 5 even as late as the day before the meeting; but it is generally understood that Card 6 is now in effect. In spite of this rather belated acknowledgment of this market situation, the Weyerhaeuser interests were very strong for a further advance.

On July 3, 1919, the Milwaukee Land Co., a subsidiary of the Chicago, Milwaukee & St. Paul Railway, wrote F. W. Lewis, of the Blackwell & Panhandle sales office, in part as follows:

We are enclosing herewith copy of our discount card No. 7, effective June 27th, 1919, and carrying advances over card No. 6, that conformed, so we understand, with the memos handed out at the recent meeting of the W. P. M. A.

A division of opinion among the association members resulted in a considerable divergence in prices about this time, but the shortage of stock throughout the country, in which the concerted restriction of production under various association auspices had been a substantial factor, made almost any price obtainable, depending on the desire of the particular operator. The Weyerhaeuser mills were the leaders at this time in advancing western pine prices, and, as shown elsewhere (p. 112), their policy evoked strong criticism from their more conservative competitors.

Early in September the Weyerhaeuser companies readjusted their prices on a somewhat lower basis. The reason for so doing was stated by R. E. Irwin, of the Boise-Payette Lumber Co., one of the Weyerhaeuser group, in a letter of September 24, as follows:

We sold quite a lot of stock at the July 26th advance, which ran from \$8 to \$10 higher than this but most of the Inland Empire mills felt that this was the

list that should apply and we have revised our prices to correspond with most of the Inland Empire mills.

In another letter, written on October 1, 1919, Mr. Irwin stated that the advance of July 26 had not been adopted by many of the mills, explaining that "on account of so much of this talk about profiteering and investigation, some of the lumbermen have gotten a little bit nervous."

The readjustment to a lower basis was only temporary, however, and in October and November further advances were made by the Weyerhaeuser companies and concurred in by others, though the runaway market existing involved an unusual lack of uniformity in price quotations.

Meanwhile, news of the Federal Trade Commission's impending investigation was spread throughout the trade. Conferences continued to be held between the western pine operators, nevertheless—one such being described by R. E. Irwin, of the Boise-Payette Lumber Co., in a letter of December 23, 1919, as follows:

I recently attended a meeting of the District Sales Managers at Spokane and the concensus of opinion was that shop in this territory was worth \$60, \$70 and \$77 for 5/4 and 6/4; 8/4 No. 3 the same, with \$5 spread for 8/4 No. 2 and better. All lath were subject to an advance of \$2.00; Mouldings—L. C. L. and carloads—list; Dimension \$4.00 over the Coast list.

Prices continued to ascend until February, 1920, when the Weyerhaeuser interests publicly announced a reduction of 10 to 30 per cent in prices and a policy of no further advances for a period of several months. Well-informed competitors pointed out that the reduction meant merely a return to the Weyerhaeuser list of January 14. In other words, prices had been advanced by that percentage in about one month's time. They also claimed that the Weyerhaeuser mills were not in a position to take on any new business at the reduced prices for several months. F. W. Lewis, of the Blackwell-Panhandle sales office, expressed this view in a telegram of February 26, as follows:

Weyerhaeusers announcement looks good on paper but they are only using their January fourteenth card number six which they never really advanced as their card number seven never was used. I understand most of their stock is going to their own yards and their yard price to consumers not cut. Montana Coast & Inland Empire Mills take this as cheap advertising for Case & his interests. No one else cutting price. No stock in country and supplies and labor going up. Labor advances ten per cent March first. No snow and logs very scarce for summer sawing. All sick are improving I wrote you yesterday.

Some Weyerhaeuser competitors expressed criticism of this publicly heralded reduction in price, just as others had criticized the Weyerhaeuser advances made the previous July. Efforts were made to hold the market steady notwithstanding the Weyerhaeuser an-

nouncement. On February 25 the McGoldrick Lumber Co. wrote its president in part as follows:

Frank Lewis talked with Joe Lansing over the phone, who advises that Polleys will not be influenced in the least by the Weyerhaeuser move and thinks all Montana Mills will maintain their present cards without any reductions. In sending his new card will guarantee for three months that there will be no reduction in their prices, which are ten to eleven dollars higher than Weyerhaeuser but do not guarantee that there will be no increase.

About this time, when prices had passed far beyond the level which the more conservative manufacturers had characterized as "incredible" and "anarchistic," it was proposed to put on an advertising campaign to increase the demand for western white pine.

The foregoing evidence of long-continued efforts to set prices by concerted action deserves to be considered side by side with the following extract from a letter written by T. A. McCann, the president of the association, to the secretary. The letter was written on December 4, 1919, and, referring to the Commission's forthcoming investigation, said in part:

As our activities have not included production or price control, we of course are not interested other than when the facts of what our associated activities amount to are requested we can present them. I hope the balance of the lumber Associations are in as good shape as we are and free from entangling alliance on prices.

#### Prices, costs, and margins.

Certain prominent members of the association, more conservatively inclined than the majority, frequently made objections to the advancement of prices, on the ground that they had no relation to the cost of production and had been made frankly on the basis of "all the traffic would bear."

The price advances made by the association as early as December, 1916, called forth criticism from David Eccles, a prominent Oregon member. Writing to Secretary Cooper on January 7, 1917, Mr. Eccles protested against the advances made, and expressed fear that "if matters are not handled conservatively our prices will become prohibitive and the next thing will be a break in the market and then there is no telling where the finish will be." Mr. Eccles favored "a policy of getting a good, fair profit, but at all times keep your product within reach of the buying public and not force them to substitutes." (2 L-1, p. 91a.)

As shown on page 100, there was no halt in the association's price-fixing activities as a result of the declaration of a state of war in April, 1917—a general price advance being made on April 25. The opposition of David Eccles to this impending advance is shown by

the following extract from his letter of April 24, 1917, to Secretary Cooper:

The situation that now confronts us I consider rather grave, in that I don't think that we as manufacturers are giving sufficient thought to what the possibilities might be with the rapid advances that we are making on price lists, and while we stand willing to go with the majority, I am opposed to any further lists being put out that are, to a certain extent, property of the association. In other words, when advances are made they become general throughout.

Mr. Eccles further stated:

We are on record as against advances simply because some sales manager feels that it is time to put up the price. There should be a good reason at all times; something beyond the mere fact that there is a shortage right now and we can get it.

The Western Pine Manufacturers Association has not developed a cost accounting system which is as representative and comprehensive as the systems of some other associations. Although no maximum price on Inland Empire woods was fixed by the Government during the war, it was uncertain for a time to what woods the price fixing program would be extended. Accordingly, when governmental fixing of maximum prices was first rumored in the trade, the Western Pine Manufacturers Association discussed the desirability of compiling a statement of the average cost of production to be offered as a basis for governmental price fixing.

When the possibility of Government price fixing was first seen, David Eccles of the Oregon Lumber Co. wrote Secretary Cooper on February 28, 1918, in part as follows:

I would imagine from the tenor of your letter that there is a possibility of Government price fixing in the lumber industry and the question before us at this time is to have sufficient facts to present to an investigating committee that will allow the industry as a whole a fair return of profit on their investment.

As you know, I have for some time past contended that we should use care and discretion in putting out market suggestions, fearing at all times the probability of a Federal investigation and we be classed as profiteers rather than an industry run on conservative lines and being satisfied with a reasonable margin of profit.

The contrast between the spirit in which some prominent interests in the Western Pine Association approached the subject of governmental price-fixing and that of the Southern Pine Association is indicated by a letter from the directing head of those interests to the manager of his western mill. Writing on March 23, 1918, he said:

Mr. —— has called my attention to your letter to him under date of March 7th, in regard to the possibility of Government Price Fixing. My judgment is, that our best policy for the present is, to not indulge in any propaganda, either as individual concerns or Associations, along these lines. It is

quite apparent that the efforts which Mr. Keith and the Committee of the National have been making are putting the whole lumber fraternity in an unsatisfactory attitude towards the Federal Trade Commission. The plan proposed by Mr. Keith for figuring costs, is, in my judgment, entirely fictitious and unreasonable. The best evidence of this fact is, that the line of argument used will establish a fair average for Southern white (yellow) pine FOB cars mills at somewhere around \$45.00 per M—the same line of argument, if followed in the case of Western white pine, would establish as a fair price FOB mills \$38.00 to \$40.00 per M and for Northern white pine, something like \$50.00 per M. These prices are absurd and will never stand investigation. I believe that the prices we are getting for Northern white pine and for Western white pine today, are fair, cost of production considered, and I do not believe, if we behave ourselves and go along and attend to our business like gentlemen, that the government is at all likely to disturb us. If, however, it does and if it becomes necessary to make an appearance and seek to establish costs which will enable the government to determine what is a fair price, I should want to approach the matter differently and in a different spirit. I am quite certain the Weyerhaeusers feel just about as we do.

The writer went on to say:

The lumber industry has been attacked by the Federal and State authorities in the past, often times unjustly, but this would not justify us at the present time, when our country is at war, in attempting to get even by establishing exorbitant prices for the merchandise we are producing and that seems to be exactly what the National and Southern Pine Associations are endeavoring to do. I am a good deal more concerned at the present time in keeping our plants operating and producing the lumber which is so much needed, than I am about the price it will bring and I should feel exactly this way even if the government should decide that our present prices, which seem to be reasonable, are too high and reduce them.

Our great duty at the present time seems to me, is to bend every energy towards securing as near as possible one hundred per cent production at our various plants.

I have no doubt but that you and Mr. —— have discussed ways and means of bringing the eight hour production up to the highest possible point.

This is the clear call of the present crisis and I hope we can all pull together and make a good record.

Writing to the directing head on March 27, 1918, the mill manager said in part:

I note what you state in connection with the price fixing and as you probably know the southern people are controlling the National Association to the extent of using it to further their own selfish ends.

However, if the National succeeded in forcing the Government into this or by its policy create such a condition that the Government would take hold of prices, the Western people would not want to be without statistics to show their fairness in connection with making prices.

The writer of the above stated further:

I fully agree with you that the present prices call for the highest possible production which is our only guide at the present time, but these other propositions are always coming up in connection with association work and with

the changing economic conditions it seems necessary to everyone to work through the association.

On April 4, the directing head wrote the mill manager in part:

I have yours of the 27th instant in regard to Association matters. We have no thought here of limiting your action in any respect in the Western Pine Association—what I had in mind, was, to caution you against getting involved in any cost statements for the Western Pine Association, worked out along the same lines that Keith used for the Southern Pine people.

#### Comparison of average costs with average prices.

The association made an investigation of the production costs of its mills for the period April to June, 1918, inclusive, and published the results in an official circular under date of December 14, 1918. Only 30 mills of the 48 or 50 members were covered by the compilation. The average cost of the 30 mills, including stumpage, was \$19.43 per M feet for western pine, \$23.09 for Idaho white pine, \$17.85 for fir and larch, with an average cost for all mills and all woods of \$20.26 per M feet. It was stated that "the statistics above given are a true representative exhibit of Inland Empire costs for the period covered."

A chart prepared by the association shows the monthly average selling price on all grades of Idaho white pine, western white pine, white fir, fir and larch, for the years 1915 to 1919, inclusive. The chart shows that the average selling price of Idaho white pine for the period April to June, 1918, ranged from \$32.50 to \$35 per M, compared with an average cost of \$23.09. The average selling price of western pine for the same period ranged from \$26 to \$28.50 per M feet, as against an average cost of \$19.43 per M. The average selling price of fir and larch for the same period ranged from \$20 to \$21.50, as against an average cost of \$17.85. On the association's basis of 75 per cent production of western pine, 5 per cent Idaho white pine, and 20 per cent other woods, the average price on all woods between April and June, 1918, ranged from about \$25 to \$27.50 per M feet, against an average cost of production of \$20.26, a margin of about \$7 per M feet, which, it is safe to say, considerably exceeded any margin secured by the Inland Empire mills in previous years. The year 1917 was a prosperous one for the lumber industry, yet the average selling price of western pine ranged from \$23 to \$25 per M, Idaho white pine from \$23 to \$35, and other woods from \$13 to \$21 per M.

In August, 1919, thirty-two mills of the Western Pine Manufacturers' Association agreed to submit their monthly cost statements to the association. However, the first compilation, which was for the month of July, 1919, covered the costs of only 9 mills. The average cost shown was \$23.29 per M feet, an increase of \$3.03 per M over the costs shown in the April-June, 1918, compilation previously de-

scribed. The August, 1919, statement covered 11 mills, and showed an average cost of \$22.58 per M feet. In August, 1919, the average selling price of Idaho white pine was \$42 per M, of western pine \$31, and of other Inland Empire woods \$27 per M, an average for all woods of approximately \$30.75 per M. Moreover, prices radically advanced in the six months following August, 1919.

The same price chart prepared by the Western Pine Manufacturers' Association shows that the average price of Idaho white pine increased from \$18 per M in January, 1915, to \$45 per M in December, 1919, after having touched \$47.50 in September. White fir increased from \$10 per M to \$35.50 and fir and larch from \$10 to \$31.50. Western pine increased from \$13.50 in January, 1915, to \$39.50 in December, 1919. It will be remembered that in March, 1918, the head of one of the most prominent Inland Empire manufacturing interests had characterized an average price of \$38 to \$40 on this wood as "absurd," adding that it "will never stand investigation." Moreover, the peak of the price advance in western pine lumber was not reached till February, 1920.

#### Admission of unreasonable prices during 1919.

When prices were advanced so radically and rapidly in the summer of 1919, the misgivings of the more conservative manufacturers found renewed expression.

Heavy advances were made in July, 1919, by various mills, and these advances were referred to by more conservative manufacturers as "wild," "incredible," "radical," and "tremendous." The president of the association himself wrote that "this last advance strikes me as being anarchistic."

The Weyerhaeuser group of mills seems to have been the leader in this advance, which took place about July 26, but it was adopted by other mills. There was strong objection by the more conservative members of the association to this advance.

A Minneapolis salesman of the St. Paul & Tacoma Lumber Co., Tacoma, Wash., wrote his company under date of August 1, reporting a rather dramatic statement of Mr. Chisholm, sales manager of the Crookston Lumber Co., to L. S. Case, sales manager of the Weyerhaeuser Sales Co., in part as follows:

The Weyerhaeuser Sales Company advanced prices on Idaho and Western Pine as per memorandum on back of card attached herewith.

Mr. Chisholm of the Stevlin-Carpenter interests called the Weyerhaeuser sales office in St. Paul on the phone and told Mr. Case that the action of the Weyerhaeuser sales company would do more to get the lumber industry into the Courts and before the Federal Trade Commission than any action recently taken by millmen regarding prices.

Mr. Chisholm told Mr. Case the Weyerhaeuser interests were crazy and that if he, Mr. Chisholm, was on a jury he would surely vote to bring in a verdict of

gulf. Mr. Chisholm further told Mr. Case that it would have been better to keep off the market altogether. Actions of Weyerhaeuser has created considerable criticism and gossip and as these people have a good many enemies there is a possibility of some complaints being filed with Federal Trade Commission.

I thought this information should be passed to you. While I am of the opinion that nothing will come of it, I will keep watch and acquaint you with any new developments.

David Eccles, of the Oregon Lumber Co., opposed further advances on the ground that labor would insist on higher wages and that demand would be stifled. The association secretary agreed with him. About this time the latter wrote, "we should not become hysterical also and shoot prices through the roof." On August 9 Secretary Cooper issued a circular to members containing the following:

You are also familiar with the sudden outcry and panic that has been aroused in Washington over the high cost of living and the numerous investigations that are under way.

Isn't it time to pause and think? The vicious cycle of advancing wages and the sky-rocketing prices is rapidly reaching a point where disastrous reaction will follow. The situation is rapidly becoming top heavy and is causing every form of economic unrest. Should we not, as manufacturers of a basic commodity, stop, look and listen? The basic facts of the case are that we can perhaps for the moment sell our product at any old price and perhaps get away with the payment of any old wage, as long as it is high enough, but if we are to display any of the qualities of statesmanship, shouldn't we get beyond the stage of mere salesmanship and look a little into the future?

I don't think that it can be regarded in any light but unfortunate that the lumber industry has advanced the price of its commodity with such startling rapidity during the past six weeks. Some advances are unquestionably to be defended on the basis of cost, but I think all of you should stop and think of what is coming. Putting up pyramids in the form of prices is going to attract the lightning, and if you cannot justify those prices on the basis of costs, and I mean legitimate costs and a reasonable margin of profit, what is going to be the answer? Are we not inviting an effort to nationalize the lumber industry soon?

#### Subsequent course of the market.

Notwithstanding a temporary recession in the western-pine market during September, 1919, because, so one manufacturer said, "some of the lumbermen have gotten a little bit nervous on account of so much talk about profiteering and investigation," prices continued their skyrocketing course until the spring of 1920. The failure of demand to absorb the current production at the unprecedentedly high prices, caused first a wavering and finally a downward trend of prices. This trend became pronounced in the latter part of 1920, and materially lower prices on many items obtained until the fall of 1921, when a rigorously restricted production finally reduced the supply to less than the current demand.

Until the fall of 1921 the total production of western pine exceeded the total orders and shipments, a condition which made for a weak market, with prices not closely held. About the middle of August,

however, southern pine began a series of substantial price advances, and was followed shortly by Douglas fir, a shortage of production and of mill stocks being a cogent factor in both cases. These advances in the two chief construction woods swung the demand to western pine, with the result that sharp advances took place in October, notwithstanding that western-pine production for the year up to that time had outrun orders. The American Lumberman described this situation in its review of the market as follows:

The market for western pines has shown much improvement since the recent advances in southern pine and Douglas fir, with considerable western pine yard stock from the Inland Empire beginning to move to retailers, principally in the Middle West. A better demand for shop is also noted and this class of stock is becoming increasingly scarce at the mills. No. 3 and better shop from the Inland Empire has during the last few days been advanced from \$7 and white and sugar pine shop from California and southern Oregon has been advanced \$7 to \$10. Eight-quarter stock is practically unobtainable.

The American Lumberman of October 22 commented on the continued improvement in the western pine market and stated in that connection:

Shop from the Inland Empire also is becoming very scarce and prices have advanced \$5 to \$10 on 6/4, while the tendency on all other thicknesses but 4/4 is distinctly upward. Four-quarter stock remains in easy supply.

It has been the custom of the American Lumberman to print each week the f. o. b. mill prices of important western pine items, under a Portland, Oreg., date line, and to specify the information under the caption "Special telegram to the American Lumberman." The headquarters of the association are at Portland, but it is not definitely known to be the source of the information. The issue of October 22, 1921, stated that while prices were unchanged from last week, "a \$5 advance is expected at any time." The American Lumberman of November 19, under its special telegram from Portland, Oreg., showed advances in No. 2 and No. 3 boards of from \$3 to \$4 per M feet.

#### Analysis of present prices.

The reductions below the abnormal price level of February, 1920, have received much emphasis in lumber circles as a part of an advertising campaign to revive building, stimulate demand, and prevent a further price decline. A true perspective of the course of the market can not be gained from such a comparison, but only by a comparison between present quotations and those current when prices were admittedly profitable, though far below the abnormally high levels of February, 1920. In a general way the prices obtaining during the war period afford such a basis for comparison.

**Comparison of present prices with war-time prices.**

*Idaho white pine.*—A test made by the Forest Service indicates that about 57 per cent of the Idaho white pine production is graded as No. 2 common and better. This 57 per cent is composed of about 16 per cent selects, 7 per cent No. 1 and No. 2 shop, and 17 per cent each of No. 1 and No. 2 common. Compared with quotations prevailing in May, 1918, quotations as given in the lumber-trade press the latter part of December, 1921, are above the war-time level by from 83 to 116 per cent on selects, 60 to 76 per cent on No. 1 common, and 24 to 40 per cent on No. 2 common. Figures on Idaho white pine shop lumber are not available, but there is no reason to suppose that a comparison for it would show any materially different result.

On No. 3 common and poorer grades of Idaho white pine, which form about 40 per cent of the production, present quotations are from 8 to 16 per cent below the May, 1918, level, but they are from 20 to 53 per cent above the February, 1917, prices.

*Western yellow pine.*—A study by the Forest Service indicates that about 43 per cent of the western yellow pine production is graded as No. 2 common and better. This 43 per cent is composed of about 9 per cent of selects, 14 per cent No. 1 and No. 2 shop, 6 per cent of No. 1 common, and 14 per cent of No. 2 common. Compared with quotations prevailing in May, 1918, present trade press quotations on selects are from 8 to 55 per cent above, on No. 1 common they are from 53 to 67 per cent above, and no No. 2 common are about the same or somewhat less.

Present trade press quotations on No. 3 common and poorer grades of western pine, which form nearly 57 per cent of the production, are substantially less than those of May, 1918, but are nevertheless higher than those of February, 1917.

The trade press quotations referred to were those appearing late in December, 1921.

**Comparison of present prices with 1920 "runaway" market prices.**

In the foregoing paragraphs the comparison is between current prices and war-time prices. It will be remembered that subsequent to the war the general shortage of supply, to which the concerted curtailment contributed, became so marked that the trade began buying hysterically, and this resulted in what was known as a "runaway" market until it reached a point where the public ceased to buy.

The current prices are below the peak of this "runaway" market of 1919 and 1920 by as much as 43 per cent on No. 3 Idaho white pine common and 68 per cent on No. 3 western pine common.

On the other hand, the better grades of western pine show a much smaller percentage of reduction and in some cases no reduc-

tion at all from the runaway peak prices of 1920. In fact the better grades of Idaho white pine are now quoted from 4 to 20 per cent higher than at the peak of the runaway market of two years ago.

#### Conclusions.

The following conclusions may be generally deduced from the previous statements.

None of the grades of Idaho white pine or western pine have returned to the levels of February, 1917, which in turn were considerably above the levels of previous years.

Most of the grades of these two woods are far above the war-time price levels.

On the better or select grades of Idaho white pine the prices are substantially in excess of the highest market level ever before known.

On the better or select grades of western pine prices have declined from the peak of 1920 but are still above the high levels of war-time prices.

Marked reductions are chiefly shown in the lower grades of both woods, but even they have not receded to the levels of February, 1917.

#### Price activities of box bureau.

A subsidiary or affiliated body of the Western Pine Manufacturers' Association is known as the Box Bureau, and is composed of the leading manufacturers of box shooks and boxes in the association territory. The fruit-growing and meat-packing industries are large consumers of box material and during the war the Government was a heavy purchaser. The Box Bureau has served as the medium through which prices have been agreed upon for box material and boxes since its organization in 1917. In 1916 the leading box mills fixed an agreed price upon the meat-case business and agreed to prorate the total business among themselves by certain percentages. There has been a marked degree of cooperation on the subject of prices between the Box Bureau, the California box manufacturing interests, and the spruce box manufacturing interests of the Pacific coast.

On September 27, 1916, the Knapp-Cheney Co., of Portland, Oreg., wrote D. C. Eccles, of the Oregon Lumber Co., in part as follows:

After the adjournment of the Pine Lumber Meeting held in Portland last Thursday, Mr. Cooper, Secretary of the Western Pine Manufacturers' Association, called on the writer to obtain information regarding our view of the proper method for handling inquiries coming to our western factories covering meat crate requirements of middle western packers.

I gave Mr. Cooper full information at that time regarding quotations which we had outstanding, and advised him that the only quotations we had outstanding were to the Cudahy Packing Company, covering fifty cars on which

we quoted on a basis of \$15.50 per M net footage f. o. b. factory, and another quotation to a small packer in territory taking a 53 cent rate from Bend at prices one dollar to three dollars above that named Cudahy on their fifty car contract.

\* \* \* \* \*

We are anxious that the plans discussed by the box manufacturers present at the pine meeting above referred to, may be matured, and we so advised Mr. Cooper. In the meantime we trust that none of the pine people are separately quoting on packing house business, but that we can consolidate our interests and divide the business.

\* \* \* \* \*

May I ask that you write me fully your ideas with regard to this subject. I feel that this situation might best be handled by an agreement between three or four of our western pine shuck manufacturers to each quote on the business of one of the packers, and all other manufacturers agree to take a certain portion of this business. Then we would not all be quoting each of the packers, and be openly competing to force the market down.

I feel also that we should all refuse to allow any broker to quote for us; nor should we agree to furnish stock to any broker who is catering to the packing-house trade.

The proposed arrangement was quickly effected, as indicated by a letter of October 7, 1916, from the Knapp-Cheney Co. to Secretary Cooper. It read in part as follows:

As you understand, those manufacturers of Pine boxes in Oregon, Washington and Idaho, who are able to cater to the meat crate trade, have agreed among themselves to handle this trade in a cooperative basis, and divided the business so that it may be properly handled.

We got a rather later start in formulating our cooperative understanding, so there is some question of doubt in my mind, and possibly also in the minds of others, regarding the plan of distribution of such business as comes to this territory.

The details of the apportionment were outlined in a letter of October 16 from Secretary Cooper to D. C. Eccles, as follows:

Yesterday the Potlatch Lumber Company, Knapp-Cheney, Wenatchee Box Agency, the Western Pine Manufacturing Company, met here and decided to pro-rate the meat case business as follows: 16 2/3% to Potlatch, 12 1/2% to Knapp-Cheney, 4 1/6% to Cascade, 4 1/6% to Deer Park, 16 2/3% to Wenatchee, 33 1/3% to Oregon Mills, 12 1/2% to Western Pine Mfg. Co.

This was based on what we assumed were the requirements of each district. Assuming that the Armour contract would cover two hundred and fifty cars, this would give eighty to the Oregon mills.

It was reported by some that you had taken part of the Cudahy business at \$23.00 and \$24.00, Missouri River rate. It was thought that if you had, this should be pro-rated into your share of cars on all of the business, as it was felt that all of the packing house business should be handled in the same way.

It was further decided that the Knapp-Cheney people, yourselves and Wenatchee would be the only ones to quote on this business and then it would be pro-rated whoever got it.

Can you advise me as to whether you did secure some of the Cudahy business or not. I wired you yesterday, relative to the canning case business and

received your reply. That this may be clearly understood, the idea was that no prices lower than \$19.50 based on the gross footage of lumber, f. o. b. the mill, should prevail, and that all delivered prices should be based on the Spokane rate of freight. In view of the high price of lumber at present, this was believed to be no more than an equitable price. Your telegram saying that the Oregon Mills would be willing to quote these prices, was received yesterday and I am so advising the others who were present.

A circular issued by the Western Pine Manufacturers Association Box Bureau on January 23, 1918, summarized the box situation as follows:

Summarizing the Washington situation: We have, 1st. A heavy demand for all grades of lumber and box shooks from our government, our Allies, and for domestic consumption. 2nd. A shortage of logs. 3rd. The substitution of Spruce for Fir in the grades of No. 3 Clear, No. 1 Common Dimension, and Select Common, which has been so successfully worked out that it relieves any immediate danger of an oversupply of box lumber and materially strengthens the Shook Market.

The above represents the situation confronting the majority of mills. Individual exceptions will be handled diplomatically and to the best advantage of all concerned.

Writing his own company on February 7, 1919, David C. Eccles, president of the Oregon Lumber Co., described price changes made at an association meeting, and continued:

Mr. Mimnaugh or Stoddards were not at the meeting so did not have a chance to discuss with them the box situation. Turned the recap of shipments over to Irwin, who remained in Spokane for the box meeting which is being held today. From what I could get from Joe Stoddard and Ravenstroft, the matter of continuing the box bureau is entirely satisfactory with them and such discontent as has been expressed by the former two gentlemen has principally originated from our Salt Lake friend. Both Mr. Barton and Mr. Irwin stated that they wanted no change, and even though the other mills decided to go it alone, they would prefer to have the box business handled as it is now. So with their output we have sufficient capacity to enter into any contract that might be offered. We can go along as usual, letting the others trail in if they see fit, and in the meantime don't get out by themselves and muss up the price situation.

On May 6, 1919, W. C. Geddes, of the Oregon Lumber Co., wrote Mr. Eccles, describing price advances just made at an association meeting, and adding:

On the box situation, there was a sort of an informal meeting of some of the Spokane mills and ourselves and Bend, and they felt until the frost danger was past it was no use to put out quotations and none have been made in Idaho or Utah, or Colorado. They felt that we should get at least 17¢ for the heavy apple box and 16¢ for the light apple box on a 15¢ to a 20¢ rate. There have been some very cheap prices made in the Yakima and some business closed, but nothing done in Colorado, Idaho, nor Utah. We had a frost in Idaho Saturday night and one here Sunday night, but have not yet been able to get reports as

to how much damage has been done, although in Idaho the prunes will be damaged to some extent as well as the peaches. In this section, do not think the frost has injured anything.

On September 24, 1919, T. A. McCann, president of the Western Pine Manufacturers' Association, wrote Secretary Cooper in part as follows:

I have just seen a letter from Mr. Geddes to Mr. Taylor and I am not at all in sympathy with it. This is in relation to sending Mr. Rowley to Klamath Falls to find out in regard to a sale reported to have been made to Libby, McNeill & Libby.

If the Box Bureau is going to take it upon itself to gather information in regard to prices on contracts, then send out some of the bulletins which I have seen, it will be my express purpose to see that that department is divorced from the Western Pine Association at once and that we, as members of that Bureau, will withdraw, as there is a great deal of evidence which would be incriminating should there be an investigation. I have told Mr. Taylor this this morning and I shall be very much obliged to you if you will investigate it from your standpoint.

This particular letter of course did not emanate from the office of the Association, but a recognized officer of the Association going out on a trip the sole purpose of which is to get information on sales, I am unalterably opposed.

With the general hysteria prevailing in connection with the high cost of living, things that are harmless in themselves could be made to read very lurid in the public press, and some of the Box bulletins which I have seen would be so twisted that I am afraid our Association work would be seriously hurt.

Replying on September 26, Secretary Cooper said in part:

I have your letter of the 24th relative to the Libby, McNeill & Libby business and the Box Bureau's work.

I am quite strongly in accord with what you say, and have been looking over some of the Box Bureau circulars. I think the ones you mean refer to some of those bearing on general conditions and while I don't think there was any intent wrong, the wording of many of them might be readily misconstrued.

#### PRICE ACTIVITIES OF MONTANA LUMBER MANUFACTURERS.

About 15 manufacturers located in the State of Montana have comprised the above organization, practically all of them also being members of the Western Pine Manufacturers' Association. The Montana association is practically a district organization of the larger body, but it has compiled price lists of its own for use within the State. These lists are followed by the other members of the Western Pine Association who ship into Montana, while on shipments outside the State the Montana association mills use the price lists of the Western Pine Association.

Frequently the concessions or prices adopted by one of the associations have been circulated by the other association among its members. The price changes made by the Montana association were fre-

quently dependent on the changes made by the Western Pine Manufacturers' Association, and at times the secretary of the Montana association tried to influence the action of the Western Pine Association.

Some, if not all, of the members of the Western Pine Manufacturers' Association who were not members of the Montana Lumber Manufacturers' Association adopted the price lists of the latter association for all sales made in the State of Montana.

The Montana association during at least two of its annual meetings officially decided on the individual to be recommended as the Montana member of the board of directors of the Western Pine Manufacturers' Association.

Some of the meetings of the Montana Lumber Manufacturers' Association were held outside the State of Montana, at Spokane, Wash. There were present at most of these meetings, as well as at some meetings held within the State, various prominent members of the Western Pine Manufacturers' Association, including its secretary.

A comprehensive statement of the understanding between the two associations as to their respective fields is contained in a circular of September 1, 1915, issued by the secretary of the Western Pine Manufacturers' Association to his members. It reads as follows:

At a meeting yesterday in Missoula, Mont., of the lumber manufacturers of Montana at which both the Great Northern and Northern Pacific mills were fully represented, representatives from this district took up with the manufacturers there the question of their using our discount sheet as of August 28th, and the resolutions accompanying it, and adhering strictly to these. It developed that the Montana manufacturers would be willing to do this, provided we adopted and used their list for short rates in Montana, in making sales in that territory.

It also developed that at certain local points in Montana, Montana Mills' price was below ours owing to external competitive conditions which could not be avoided but that along the line of the Great Northern and at other points, their price was above that of the mills in this district. It is therefore understood that the mills in this district should respect the Montana price list and concessions, and that they in turn would respect the concession sheet of August 28th of this territory, outside of Montana. In other words, the mills who were in attendance at our meeting here last week, should maintain the discount sheet absolutely in Montana except where the Montana list is higher, and in that case they shhould follow the Montana list and discount.

If members are selling in Montana, we should be very glad to see that they are provided with a Montana list, and will be very glad to have them write us at once.

The general feeling of the meeting was that better prices for the future could be relied on in view of the improved conditions of trade that are promised in all directions.

Please keep this circular for reference.

## RELATION BETWEEN ASSOCIATION'S PRICE FIXING ACTIVITIES AND ITS USE OF COMMON FREIGHT BASING POINT.

An important phase of the association's methods of standardizing prices which is well exemplified in its activities and which is typical of the activities of other lumber manufacturers' associations not here discussed, involves what is known as the common basing point system. In any territory where the different producing points take varying freight rates to the principal consuming markets, this variation would naturally result in numerous variations in the delivered price, even though f. o. b. mill prices were the same. If it is sought to avoid such variations the only feasible method is to base prices, not f. o. b. the individual producer's plant, but to select some common point agreeable to all the producers and use that as a substitute for an individual f. o. b. mill basis. Accordingly the members of the Western Pine Manufacturers' Association have been basing their prices generally on Spokane for many years, and the association price lists show the delivered prices with Spokane as the basing point.

The use of the Spokane basis means that all members which have a lower rate to the consuming markets make an added profit on shipments taking a less rate than that from Spokane, on which basis their quotations are made and the consumer pays a charge for a cost not actually incurred. Like uniform grading, uniform weights, etc., the common basing point may be used as an instrument either to further or to restrict competition, but so far as the lumber manufacturing industry is concerned, the common freight basing point has been an incident of the organized activities of the manufacturers in eliminating or restricting price competition. The Western Pine Manufacturers' Association filed an intervening petition with the Commission opposing the issuance of formal complaint to try out the status of the common basing point in the steel industry.

An anomalous development of the basing point system of pricing has grown out of the close cooperation which has existed between the Western Pine Manufacturers' Association and the West Coast Lumbermen's Association. Two of the woods produced in the Inland Empire are larch and fir, and these are used largely for the same purposes as the fir produced west of the Cascades, in the territory of the West Coast Lumbermen's Association. The Inland Empire mills have the advantage in freight rates to the east over the west coast mills and are in a position to lay down their lumber in eastern markets at considerably less than the coast mills, even though their f. o. b. mill prices were the same. The difficulty was solved to the advantage of both districts by the Western Pine Manufacturers' Association adopting not only the mill prices of the West Coast Lumbermen's Association on fir, but the coast freight rates as well. The effect of

this action was to make the coast the basing point for Inland Empire fir and larch, which at no time was within hundreds of miles of the coast.

When the West Coast Lumbermen's Association adopted a new basic list in February, 1919, the necessity for the Western Pine Association revising its basic prices on fir and larch became apparent, and for some time thereafter both basic lists and concession cards for Inland Empire fir and larch were based upon the coast prices and the coast freight rates.

The Weyerhaeuser Sales Co., in a bulletin to its salesmen on February 7, 1919, gave the following instructions:

1. Sell Fir & Larch Dimension, Plank and Timbers and all B & Btr Larch on basis of West Coast Fir, applying Fir Discount No. 24 and using the Coast rates. In other words, when figuring Fir & Larch Dimension, Plank and Timbers you will figure the stock exactly as though it were coming from the Coast, using the Fir list, Fir Discount No. 24 and the Fir Rate,—and the B & Better Spokane rate and on the regular Idaho basis, and your notation as to the rate on which the car is sold will always be the Spokane rate rather than the coast rate.

The Crookston Lumber Co., one of the Shevlin-Carpenter interests, issued similar instructions to its salesmen on February 14, 1919.

The method of treating freight which was involved in this policy of the association members is shown by the following extracts from a letter of the Rawson Works Lumber Co., of Spokane, Wash., on February 21, 1920, to the association:

Under our contract with Bradford-Kennedy Company, we shipped considerable Fir Dimension. This dimension was sold under Cards 6, 7 and 8, which refer to Rail B Coast price list.

Since I have been putting in all of my time on the Kamiah work, I have been checking over the shipments to Bradford-Kennedy Company. I find that the dimension shipped under cards 6, 7 and 8 was invoiced on Spokane rates of freight. I contend that in using the Rail B price list, the rates from the coast should be used in pricing dimension, but that freight should be deducted on the basis of the Spokane rate.

Bradford-Kennedy Company cannot see it that way. Possibly they are right, but I know that some of the mills have used the coast rates, allowing freight to be deducted on the basis of Spokane rates only.

The Secretary replied on February 24:

In reply to yours of the 21st I think your contention is correct about the method of pricing dimension. When the mills in the Inland Empire adopted the Coast basis of selling in order to conform with the spreads on lengths etc., they also sold on the basis of the Coast rate, the idea being that the Coast was the competition that they had to meet and that the Coast market at any time very largely governed their own. The proper method then was to figure the delivered price on the Coast rate and the Coast list but actually deduct the Spokane rate of freight, which would be the actual freight paid.

I think the above handling of this proposition would be the natural, common sense way to do it and I know it was the method used by practically all the Inland Empire manufacturers at the time they were using the Coast list.

RELATION BETWEEN ASSOCIATION'S PRICE FIXING ACTIVITIES  
AND PRACTICE OF SCANT SAWING.

There is a long-established practice in the lumber industry of sawing lumber into sizes which fall short of the dimensions by which the stock is designated. For instance, a piece of 2 by 4 is cut less than full size and 1,000 feet of 2 by 4's does not contain a full 1,000 board feet. This practice is known in the trade as "scant sawing," and as the term indicates, the lumber is cut less than its designated size in the first instance. Seasoning, and surfacing or planing, still further enlarge the discrepancy between the actual size and the size by which the lumber is known and sold.

It is obvious that mills which cut and sell full-size stock or give the trade more nearly full-size stock, have a substantial advantage in competition with mills which cut their lumber relatively scant. To remove this competitive advantage and to preserve to all the mills the advantage of a price based on a full-size 1,000 feet, the Western Pine Manufacturers Association, as well as other lumber manufacturers' associations, has standardized the scant measurements to which lumber may be cut as it comes from the saw, and to which it should be finished or surfaced.

In 1915 the Nebraska State Legislature was considering a bill requiring that all undressed lumber sold in the State must "be of full length, width, and thickness of the dimension for which it is sold" and that dressed lumber must not be more than one-eighth inch scant. The association secretary characterized the bill as "vicious," and called upon the members to prevent its passage.

The activities of the association since the armistice illustrate how much dissension may arise from a variation in thickness on certain stock as small as one thirty-second of an inch and the methods used to penalize the manufacture of the thicker stock. The official minutes of the association meeting held on November 21, 1918, contain the following:

It was brought out by Mr. Irwin that some members were not adhering strictly to the standard manufactured sizes adopted by the Association. Mr. Keys admitted that his firm was selling stock 13/16" when so ordered. Mr. McCann said that his firm was doing the same but making extra charge for the additional thickness. This brought about a good deal of discussion on the question and it was pointed out that some lee-way must be allowed for meeting requirements for thicker stock. It was moved that an extra charge equivalent to the extra charge for rough lumber be made for anything surfaced thicker than standard.

After discussing this move a vote was taken showing a pretty even division of opinion. The Chair pointed out that unanimity was desirable and that the subject should be re-opened. After discussion it was moved that two dollars extra be charged for any stock surfaced thicker than standard to be run hit or miss. The motion was carried. Mr. McCann stated, however, that

He would abide by the motion provided the inspectors inspected the standard thickness at all mills.

Secretary Cooper issued an official circular on November 25 in which it was stated:

Our meeting at Spokane last week recommends to all members a differential in price on any stock run thicker than our standard thickness of 25/32, the differential being \$2.00 a thousand for any stock run thicker than standard, hit or miss.

The claim that the sale of stock larger than the standard size was equivalent to price cutting, appears in a letter of November 29, from R. E. Irwin, of the Boise-Payette Lumber Co., to I. N. Tate, of the Weyerhaeuser Sales Co. Referring to the Spokane meeting of November 21, Mr. Irwin said:

I also advised them that we had run up against competition where other concerns were furnishing stock full ten and twelve inches wide and 13/16" thick and that we consider this just exactly the same as though they had cut the price—in fact, we would prefer to cut the price rather than do this.

Mr. Irwin said further:

A resolution was passed at that meeting that they would consider it advisable to ask \$2.00 per thousand more for any stock that was surfaced thicker than the standard. The writer's contention was that, if we had a standard of 25/32" thickness, we should live up to it and that no amount of money that could be gotten for stock surfaced to 13/16" would pay—as one would have to cut his entire lumber thick enough to surface 13/16" and the relatively small amount that we would sell as 13/16" would mean that we should get an enormous price for this in order to offset the great loss in over-run. I think, however, this \$2.00 charge, if it is followed, will eliminate the demand for 13/16" and practically everyone at the meeting said that the demand for this thickness has been growing less all the time. Most of them felt that if we would stick by our standard of 25/32", this trouble would end, as there would be a lessening demand for the 13/16" stock.

Replying to Mr. Irwin on December 3, L. S. Case, manager of the Weyerhaeuser Sales Co., said:

I agree with you that it would be better to cut the price several dollars a thousand than get away from the 25/32nds standard.

The status of scant sawing in May, 1919, may be judged from the following extract from the official minutes of the meeting held on May 2 and 3:

The question of standard manufacturing sizes was brought up for discussion. This discussion showed a general adherence to the standard association thickness of 25/32 S2S.

It developed that there has recently been a decided difference between the various mills as to standard widths, many mills reporting that they have been manufacturing their lumber 1/4 inch scant instead of the association standard of 1/2 inch scant.

After thorough discussion the members went on record as agreeing to adhere to the association standards as follows: All inch lumber to be 25/32 S2S. Any

lumber S2S hit or miss to 13/16 will be \$2 above the price of 25/32. All widths S4S will be 1/2" scant.

In a letter of May 19 to the Blackwell-Panhandle sales office the Craig Mountain Lumber Co. stated:

We mailed you copy of instructions to our salesmen as to prices and have also issued instructions that all stock S4S will be 1/2" scant.

At the bottom of the letter was the following note:

The S4S to 1/2" on common is a big mistake—it means all—will be S2S only and we lose 1.00 per M on weight besides shipping a less desirable board.

F. W. Lewis, sales manager of the Blackwell & Panhandle sales office, on May 27 replied as follows:

We have yours of the 19th, with reference to your working sizes on stock and we absolutely agree with you in every way that working stock to 1/2" is a great big mistake and it is going to force our trade to take two sided stock instead of 4 sided stock, and when you stop to think that a great many of us have been practically forcing the trade for the last four years to take 4 sided stock instead of 2 sided and have gotten them where they are willing to take it and now turn around and force them to take 2 sided stock, we are going to lose trade by it.

The writer does not like it and has always fought it and I am afraid always will fight it, but that is not here or there, but we are up against it and we have got to ship 4 sided to 1/2" scant or 2 sides.

The foregoing quotations demonstrate that individual initiative had been surrendered in deference to association decision on the subject and competition on this basis effectively checked.

Writing on May 15, the Blackwell-Panhandle sales office stated:

For your information will say that Rose Lake, Milwaukee Land, McGoldrick and all other White Pine mills with the exception of the Milwaukee Lumber Company and the Dalkena Lumber Company are making their stock 1/2" scant in width, that is S4S stock. However, they will accept orders the same as ever for S2S stock.

It is quite impossible for me to go into detail and explain to you how and why these sizes were put into effect, but it is something which we could not avoid and I am very frank to admit that I am opposed to the 1/2" scant in width, but I am really powerless to do anything without causing much greater damage to everybody concerned, than it will be to go by these sizes.

On July 26, W. C. Geddes, of the Oregon Lumber Co., wrote David C. Eccles, of the same company, in part as follows:

On manufactured sizes (a question which always comes up) you recall this matter on widths has always caused trouble. At Spokane meeting many who had been working on 1/4 off in width agreed to go to the 1/2 off or association standard. On Eastern business your position was that where customer had to have it 1/4 off we would furnish this way. Would like to have your advice if we are to hold to this regardless of position of other mills should it come up. If in your judgment we should change to 1/2 off now is the best time to put it over. You understand Spokane meeting agreed to do this absolutely if some of Western Pine and two or three White Pine operators would agree to do so, which was finally agreed to. We have had

but very few orders since specifying 1/4 off, although a few, and have had several in which customers have agreed to standard or 1/2 off. On 5/4 and 6/4 Shop you know we are surfacing 1/32" heavier than Association standard. This, however, may not come up. Our trouble as you know without any comment, I believe your position has been that we would not have two standards of dressing and for several years we have had one standard on Shop. With the exception of the width on common (on very few orders) and the thickness on shop, our standards are 100% Association standards.

The standardization of scant sawing is particularly difficult for competitors to maintain in the face of advanced freight rates and a weak demand. So the matter of scant sawing and standard sizes came up again at the August, 1921, meeting of the association. The following extracts from the American Lumberman indicate the nature of the issue involved and the concerted action taken to remove the competitive tendency to sell stock sawed less scant than the association standard:

A. W. Laird, Potlatch, explained the position of his company. He stated that it has stood pat on the present standard sizes and lost much business to other mills that were making a concession to buyers and a talking point for wholesalers in shipping oversized lumber; namely,  $\frac{1}{4}$  inch scant in surfaced four sides stock. Mr. Laird stated that his company would continue to manufacture its lumber on the standard sizes.

During the discussion it was claimed by several speakers that upon careful examination they had found there was no real demand for the wider stock by the consumers or the retail yards but that the odd size was being used as a talking point by wholesalers. Naturally the buyers would take the larger size if offered it at the same price.

The committee to which the matter was referred reported as follows:

We recommend that the association reaffirm the present standard sizes as already adopted by it.

We recommend that there be an addition made to the general note on the association price list providing for an additional charge of \$2 per M. for any stock worked wider than standard widths.

We recommend that there be an additional charge of \$2 per thousand extra for any stock S1S or S2S No. 3 or better, shipped east of Chicago.

We recommend the adoption of this report by a roll call vote of the members present.

The further action taken was as follows:

Following the vote which settled the biggest question of dispute and at the suggestion of J. P. McGoldrick, committees from the different districts were appointed to secure the co-operation of all members not represented at the meeting.

The settlement of this much disputed question brought a feeling of relief to the members present. A better feeling pervaded the atmosphere and President Polleys took occasion to compliment the men upon the splendid spirit shown in the energetic way they planned to follow their decision.

Again, in October, 1921, the subject came before the association at a special meeting, for the purpose of clearing up some lack of under-

standing on details. The American Lumberman described the action of the meeting as follows:

However, a solution which is undoubtedly the nearest the wishes of all, was eventually worked out and the following resolution, originally put by J. P. McGoldrick, McGoldrick Lumber Co., Spokane, and many times amended by different members, was unanimously passed:

"All lumber 4/4 and thicker, 4 to 12 inches inclusive, No. 3 common and better, S4S or hit or miss to 1/4-inch scant of full width, shall take an extra charge of \$2.

"In the territory east of Chicago all Idaho white pine, 4/4 and thicker Nos. 1, 2 and 3 common, 4 to 12 inches inclusive, and all western pine, 4/4 and thicker, Nos. 1 and 2 common, when S1S or S2S, shall take an additional charge of \$2."

On a motion of E. H. VanOstrand, Craig Mountain Lumber Co., Winchester, Idaho, the footnote to the basis list, making an extra charge of \$1.50 a thousand for resawing boards, was eliminated.

A motion also prevailed that the committee prepare new basis lists for territories east of Chicago and west of Chicago which will conform with recent rulings in standardization of sizes.

The close relation between scant sawing and prices is clearly brought out in the foregoing, as well as the fact that the association has continued to deal with the subject of prices in the same bold and open manner as before the Federal Trade Commission's investigation was commenced.

#### RELATION BETWEEN ASSOCIATION'S PRICE FIXING ACTIVITIES AND UNIFORM DISCOUNTS TO AND DISCRIMINATORY CLASSIFICATION OF WHOLESALE TRADE.

The larger lumber manufacturers dispose of the bulk of their product direct to the retailer, but the smaller manufacturers are dependent entirely on the wholesaler, broker and commission men for an outlet. Even the larger manufacturers occasionally make use of the wholesaler's facilities of distribution, particularly east of Chicago. This divergence in the policy of the manufacturers gives rise to competitive problems involving the wholesaler's discount from the published lists of prices to retailers and the right of particular concerns to recognition as wholesalers and to receive corresponding discounts. The solution of these problems has been undertaken by the Western Pine Manufacturers Association.

The semiannual meeting of August 14 and 15, 1918, decided on some changes in the commission to be paid to wholesalers. The minutes of the meeting recorded the action of the association as follows:

The next subject under discussion was the question of compensation to Commission men and Wholesalers. The Chair pointed out that the cost of selling lumber had greatly increased and that the present recommended rates were not sufficient. This caused a good deal of discussion which finally resulted in a

motion that the present rate of compensation be increased 50% to all. This was seconded and carried as applying to the territory to Chicago and westward. This increases the compensation to 75¢ on No. 3 and poorer and \$1.50 on No. 2 and Btr. to wholesalers and 75¢ per m on all items to commission men.

On December 27, 1918, Secretary Cooper issued a bulletin to his members reading in part as follows:

I find that there is still possibly some misunderstanding of what it is customary to allow in the way of commissions to wholesalers and others. Some years ago the Association defined a wholesaler as a man engaged in the selling of lumber who maintained an office and selling organization and who carried the account. In the case of the wholesaler it is quite generally customary now to allow him a reduction in price of \$1.50 on all items of #2 common and better, \$1.00 per thousand on all items of #3 common and poorer and 20¢ on lath.

A commission man is a man who does not carry the account, but who sells for various firms on a commission basis. It is customary to allow a commission man 75¢ commission on all lumber and 15¢ on lath.

While we have never fully defined this, there is really a third class which might be distinguished from what we have called a commission man by calling the commission man a commission merchant, and the third class a commission salesman. He is the salesman who works exclusively for a single firm and sells on a commission basis rather than on salary.

The importance of preserving the distinctions above outlined was then touched upon by the secretary:

We believe it is well to keep these distinctions and these customs well in mind as deviations from them are apt to be taken as price cutting, which is most disastrous at present.

It was believed that certain wholesalers were splitting their concession with the line yard retailers and thereby cutting under the manufacturer. Writing from Minneapolis on February 14, 1919, to J. P. McGoldrick, F. W. Lewis, of the Blackwell-Panhandle sales office, said in that connection:

I think the very best way to eliminate this evil is for us to do just what we started out to do at our meeting in Spokane, and that is, list our wholesalers and when any one of us find out that a wholesaler is not maintaining our price in the territory, cut him off the list and refuse to sell him any stock. I think in this way we will very soon eliminate a lot of the bad wholesalers by the art of putting them out of business or making them be good wholesalers.

From my viewpoint the one thing to do is to educate our mills to know their wholesalers. A price cutting wholesaler is just as bad as a renegade mill, and we want to try and fix it so the price cutting wholesaler cannot get a good mill's stock.

The matter was also discussed at the association's annual meeting early in February, 1919. The official minutes contain the following:

The matter of discount that members were allowing to wholesalers was discussed freely. It was stated that some wholesalers split their commissions with the trade which tended to demoralize the market. After a very lengthy discussion, it was moved by Mr. McGoldrick that the members should all send a list of their wholesale and commission representatives to the secretary's office and

that this would be valuable information and should be available to all members. This motion was seconded and carried.

When the lists were submitted, it developed that some of the mills had been giving certain large retailers or line yard concerns the advantage of the wholesale price. David C. Eccles, of the Oregon Lumber Co., criticized this policy in a letter to Secretary Cooper on March 27, reading in part as follows:

Have hurriedly gone over the list of sales connections as submitted by the several mills of the Association and it is very apparent why there has been some misunderstanding as to business with line yards, as I notice in the list of wholesale connections there are a number of people who are line yard concerns and they are so recognized by a number of the mills. It occurs to us that if there is not some step taken in the direction of defining just what constituted a wholesaler with the information that has been put out, it will only be a matter of a short time until all line yard buyers will be included in the same catalog.

Mr. Eccles then pointed out the tendency of this policy "to upset market conditions," stating:

We think that there is an opportunity of eliminating a good deal of the trouble that has at different times had a tendency to upset market conditions, and while it is not our prerogative what the directors of the association should do, it does look as though an early meeting is justified and such conditions as now exist that are apt to upset the market should be remedied. If one line yard is to be recognized as wholesalers, let us give all mills the same opportunity with all line yard concerns as it is not fair to us who have salaried men in the field to be handicapped to the extent of the commission which certain line yard dealers are receiving from some of the Association mills and this now clears up certain conditions that have existed with dealers from Denver, east, in that we have never been able to secure from them any of their desirable business, always being given to understand that our prices were high.

Our supposition has been that they were merely trying to work the mills, but is evident now that the information given us has been correct.

The matter was discussed at an association meeting on May 2 and 3, 1919, with what results may be seen from the following extract from a letter by Mr. W. C. Geddes, of the Oregon Lumber Co., to Mr. Eccles, under date of May 6:

Practically all of the old troubles were gone into. It was brought out that many of the mills were selling to wholesalers at such a price that they could make a cut to the trade, particularly, the desirable trade and take the business away from the mills who would not allow this concession to wholesalers and who did not list line yards as their wholesaler. We found, that is, the Boise Payette and ourselves, that a lot of the Inland Empire mills were doing this very thing and it was cutting ourselves and them out of business, which, of course, I need not explain to you as you are thoroughly acquainted with it and I showed Mr. Barton your wire to me there and he called me into a conference after the first session was over and stated to me that we were the only ones that he could work with and that he wanted to know what we thought of our meeting this condition with line yard concerns, and I told him just how I felt in the matter and that you felt the same way as you had so expressed it to me

and desired me to take these matters up. We decided that it was useless to attempt to get the mills to cut out connections that they had made and that the only thing we could do was to meet this condition with line yard buyers when we saw fit. I wired you to this effect care of the Biltmore Hotel, New York, further advising you that I had also wired the different offices that to such concerns as Green Bay and other yards of this character, they were authorized to make the wholesale price to.

Mr. Geddes also brought out the current understanding that wholesalers were not to be allowed any concession on the prices of "shop lumber." Mr. Geddes stated in that connection:

Another matter that came up was the allowing of the wholesaler a discount on shop, and those who had been in the habit of doing this were hit a pretty hard rap over the head of the President of the Association, as well as other members, particularly Mr. Van Ostrand.

After describing the discussion concerning concessions made to wholesalers on "shop," Mr. Geddes continued:

It was pointed out that this action on the part of mills selling to the wholesaler in this way permitted the break in the shop market and was contrary to the understanding because it was distinctly understood that the shop prices were to the wholesaler net and to the factory and large users the same price, and was done with the view of doing away with the breaking of the shop prices by the wholesaler and it was pointed out that even a sale of 500,000 made in this manner may be the means of causing the serious break and it is a fact as the instance related illustrates that where the Nibley Mimnaugh come in competition with the wholesaler and the wholesaler guaranteeing Eastern Oregon stock, they met the prices and this might have been the means of starting the thing downward and if it starts, it is a mighty hard thing to stop.

Following the meeting of May 2 and 3 steps were taken to secure new lists of wholesalers and commission men from the members, with a view to its revision by the board of directors. The secretary was cautioned, however, that "it would be well for you to consult the association attorney as to how far the association can proceed in classifying and eliminating."

The further history of this matter is not known, but the fact remains that certain powerful retail concerns were being accorded wholesale prices, and that in the minds of influential members of the association this was unfair to less favored retailers, as well as fraught with possibilities of price cutting among the manufacturers.

#### OPEN PRICE FEATURES OF WESTERN PINE MANUFACTURERS' ASSOCIATION METHODS.

Open price associations, so called, are supposed to confine themselves to a mere exchange of information as to prices actually received on closed transactions, and carefully to refrain from any attempt to anticipate or establish a future market price. The sharp distinction between associations so conducted and the Western Pine Man-

facturers' Association is brought out by the fact that the latter organization has its open price features, like other lumber associations, but that these features merely supplement the main purpose of establishing a uniform price as a guide to concerted future action. The value of reports on prices actually received in judging the reaction of the market to the tentative prices established by agreement is readily apparent.

Writing on December 9, 1918, to a Montana manufacturer, Secretary Cooper gave a detailed description of the association's information bureau, to which the members report their sales. He paid it the following tribute:

The Information Bureau has been a very great success I should say, as it has been a strong factor in stabilizing the market. Prior to its existence, we did business on the basis of rumor. Our market Information was very largely obtained from our customers or prospective customers who were not exactly impartial sources of information. The Information Bureau from the beginning gave us exact information and eliminated hear-say. It has had a markedly strengthening effect on the market at times when temporary conditions might have tended to weaken it.

He then showed the natural limitations of the open price plan by stating:

Markets, you will recognize, are not made by information as to what people are selling for entirely and when conditions are right our market goes down or goes up regardless of the Information Bureau reports, but it does keep it from getting demoralized by rumor and by buyers drives.

The way the information bureau is used to check up the execution of the agreements reached is illustrated by the following extract from a letter dated August 7, 1918, written by G. E. Stoddard, of the Grand Ronde Lumber Co., to R. E. Irwin, of the Boise-Payette Lumber Co.:

What do you hear regarding the shop market? Since putting into effect, the prices agreed on at the Baker meeting, a few weeks ago, we haven't seen a single sale in the Bureau reports at these prices. In fact, all sales up to date have been reported at the old prices, plus the additional for advanced freight.

Clapp & McCartney, lawyers of St. Paul, Minn., and attorneys for the Weyerhaeuser interests, were of the opinion that the information bureau was not illegal in itself but that it was dangerous "under the circumstances." Writing on December 2, 1919, to Secretary Cooper, Mr. Clapp said in part:

Almost a year ago—last spring—my attention was called in some way to the character of information that was furnished to the members of your Information Bureau, and I took the matter up both with the Weyerhaeuser Companies and also with Mr. Wetmore and Mr. Carpenter of the Shevlin Companies. At that time I told both of them very emphatically, not that I thought that the plan of the Information Bureau in and of itself was illegal,

but that I thought that under the circumstances it was wholly and unnecessarily dangerous and therefore unwise. This opinion I repeated early in August to the Weyerhaeuser Companies, and this fall it has been approved by what they call their "Legal Committee."

Mr. Clapp went on to express his doubts that the plan had received governmental approval with full knowledge of the facts and criticized the furnishing of exact copies of orders instead of statistical compilations. He said further:

Now I repeat that it is not the work of the Information Bureau taken by itself or its plan that seems to be objectionable. I have said that under the circumstances it is dangerous and further than this, I am not going to go, except to say that I should be very glad to talk with you personally or with your directors, or with any one or more of your members about the proposition.

#### COOPERATION BETWEEN WESTERN PINE MANUFACTURERS' ASSOCIATION AND WEST COAST LUMBERMEN'S ASSOCIATION.

The Federal Trade Commission's report on the West Coast Lumbermen's Association, issued in June, 1921, attempted only incidental treatment of this subject. The much heavier production of the West Coast region gives it a certain degree of dominance over the Inland Empire in setting prices, just as the Southern Pine region is recognized as the natural market leader of the West Coast for the same reason and also because it is better located with regard to the chief consuming markets. Given a common desire to secure the highest possible prices, an exchange of information between the members of the two associations is all that is necessary to bring about an effective cooperation.

On February 29, 1916, Secretary Cooper wrote J. P. McGoldrick, one of the prominent members of the Western Pine Association, describing the advances which were expected to be made at a meeting on the next day. He stated to Mr. McGoldrick, who was in Tacoma, Wash., at the time:

Should be glad to have you wire any action taken by the coast if you can do so in time to be of help here.

Again, in November, 1916, an advance in price by the Western Pine Manufacturers' Association seemed contingent upon an advance by the West Coast Association. A letter written by Mr. E. H. Polleys to Secretary Cooper on November 13, 1916, after stating that business was good and that the retail trade was better than it had ever been in the history of his plant, concluded with this interrogatory suggestion:

What is the prospect of a raise in price from the Coast within the next thirty days? We feel that there should be a general advance, both from the Coast and the Inland Empire on Common Stock, Dimension, Timbers, etc.

The secretary replied on November 15 in part as follows:

I think the Coast is quite in a humor to advance. As I am leaving for Tacoma tonight I hope to be able to report to you whether there will be an advance in the near future or not after my return.

On November 18, H. G. Miller, a member of the executive committee of the Montana association, wrote Secretary Cooper as follows:

We are calling a meeting for Thursday next, at Kalispell, to discuss prices, in view of changes on the Coast, which we understand have been made, but we have no definite advices as yet.

Will you kindly forward to me, in care of the Association here, anything that you have now, with reference to changes in the conditions of fir, and also let me know whether any changes are contemplated by the Western Pine Manufacturers Association.

On November 20 the secretary replied to Mr. Miller describing the changes made by the West Coast Lumbermen's Association at its meeting at Tacoma, Wash., on November 16, 17, which Mr. Cooper apparently attended. The letter was in part as follows:

Replying to yours of the 18th, we are advised that the Coast Mills have issued discount sheet No. 14 which carries an advance of \$1.00 per 1000 on all items except on those which are already at list.

I am taking up by telephone today the question of Western Pine markets with a number of our members and will advise you if there are any changes.

It may be noted here that a new concession sheet was issued by the Montana association on November 25th.

On October 20, 1917, the Potlatch Lumber Company, one of the Weyerhaeuser group, wrote Mr. Hagenbuch, of the Panhandle Lumber Co., recommending an increase of prices, and stating:

The coast is way ahead of us now on their #1 & 2 Clear as compared with our C & Better Fir & Larch, and these woods also should be gone over and straightened up.

The maximum prices fixed by the Government on Douglas fir in June, 1918, gave the Inland Empire manufacturers an opportunity to increase their prices on fir and larch to equal those embodied in discount sheet No. 23, of the West Coast Lumbermen's Association. On July 24 one of the Montana members, Mr. A. G. Naundorf, wrote Secretary Becker as follows:

We wired you today as follows in answer to your letter of the 23d:

"Mr. Weil away prefer not to make the trip Saturday I suggest you attend the meeting for the Montana mills and line up new discounts with Coast twenty three, as shown in my recent statement."

Since I sent statements of comparison to you, Mr. Paul Lachmund, and Cooper, I see no reason why you could not make the trip for all the Montana

Interests and insist that they line up with the Coast particularly on larch and fir common boards and clear larch and products as well as other interested items.

In my judgment these prices should be exactly the same as the Coast and not 50¢ or \$1.00 under the Coast, in view of the price fixing plans, because you appreciate that we must get on as high a level as possible.

As shown elsewhere, Mr. Naundorf later reported that this had been done. (See p. 102.)

In January, 1919, the lumber market was hesitating in the transition from war to peace conditions, and the manufacturers were concertedly endeavoring to hold prices firm and even to advance them in the face of a weak demand.

On January 18 Mr. J. P. McGoldrick, of the McGoldrick Lumber Co., in writing to Mr. Ed. R. Hogg, of the Atlas Lumber Co., a prominent Douglas fir operator, stated:

Manufacturers here in general are adhering to card #2, but in hopes the Coast will see not only the error, but the loss in their ways and advance prices not over \$5.00 per thousand on Common.

On February 10 Secretary Cooper issued a circular containing the following:

We are advised that mills in our territory are now generally quoting fir and larch dimension and timbers on the basis of Coast list and discount #24.

Beginning in April, 1919, the lumber market was characterized by numerous and radical advances put into effect by the various organized groups of manufacturers. In April southern pine led off with an advance. On May 1 the West Coast Association advanced prices. On May 3 the Western Pine Manufacturers' Association followed suit and notified the West Coast—as indicated by the following:

A telegram was addressed to the Western Pine Manufacturers' Association by the Oregon-Washington Lumber & Manufacturing Co. on May 7, as follows:

Wire briefly advance prices or list changes adopted Spokane. Mail card.

A reply was received the same day signed by A. W. Cooper, who is the association secretary:

Advance fir and larch lumber three and better common and Idaho and Western number two and better common and selects one dollar. Pine Lap siding fifty cents. Advance fir and larch dimension timbers and selects to Coast card twenty five.

About May 5 the southern pine manufacturers advanced and notified the West Coast mills of their action. On May 13 the West Coast again advanced and issued discount sheet No. 4 to cover the advance.

On May 23 C. S. Sanderson, of the Milwaukee Land Co., wrote from Seattle to Mr. J. P. McGoldrick, of the McGoldrick Lumber Co., describing conditions and prices on the Pacific coast, and stating:

Their opinion is that at your meeting Saturday that you should not look to the coast to be your guiding star at this time as the Southern Pine Mills are over anything the coast has tried or thought of yet.

\* \* \* \* \*

I am sending you some discount sheets #4, which you may use for distribution at your meeting.

On May 28, 1919, the sales manager of the St. Paul & Tacoma Lumber Co., of Tacoma, Wash., a leading fir operator, wrote the Craig Mountain Lumber Co., of Craig Mountain, Idaho, as follows:

We acknowledge your letter of the 23d and note that you expect a meeting in Spokane on Saturday. We wired you today as per copy enclosed and confirmed as we expect to attend a meeting today of lumbermen and would be glad to have a report from different market territories with reference to conditions.

The telegram referred to read:

Please wire immediately result of Spokane meeting and brief report market situation Inland Empire.

On the same day the Craig Mountain Lumber Co. replied by telegram as follows:

Western Pine advances one, two and three common and D Select two dollars, C select three dollars, B and Better five, D siding fifty cents, C siding one fifty, B siding two fifty, Lath fifty cents, battens one dollar, fir dimension and timbers five dollars, four boards two dollars, three boards four dollars, one and two boards five dollars, selects three dollars, white fir and cedar three and better two dollars. Understand practically all mills sold out on fir and very low on all items of pine except three and four boards. Demand good now on number three and inquiries heavy on four. Disposition general not to book any volume in advance.

On May 31 the St. Paul & Tacoma Lumber Co. replied as follows:

We are very glad indeed to get your wire outlining recent advances in your market. This was read to the writer over the telephone at the lumbermen's meeting Wednesday afternoon and was of considerable assistance in guiding the opinion of those present.

The fir manufacturers had adopted discount sheet 5 as the result of the meeting above referred to.

F. D. Becker, secretary of the Montana lumber manufacturers, on June 12 wrote identical letters to F. W. Lewis, sales manager of the Blackwell-Panhandle sales office, and to Secretary Cooper, as follows:

Inasmuch as Coast Discount #6 is issued advancing timbers \$5.00 and other items \$3.00 do you think that any of the Inland Empire mills will advance their prices and is there any likelihood of their being a meeting held soon to discuss market conditions?

Mr. Walker Neils, of the J. Neils Lumber Co., on June 16 wrote Mr. F. W. Lewis as follows:

I understand the Coast is strong on Discount #6. Hadn't we better get in line? I would suggest a meeting in Spokane, Saturday of this week.

On June 28, 1919, a telegram was sent to the Weyerhaeuser Sales Co. at St. Paul, Minn., and signed by the Weyerhaeuser Sales Co. office at Spokane, which read:

Our five connections here also Boise-Payette instruct effective immediately advance prices all items Fir and Larch Dimensions and Timbers and Selects to Basis Discount six Coast Rail B List. Advance number three and better common Fir and Larch Boards one dollar. \* \* \*

As shown in another connection (p. 106) an association meeting on June 27 had made these advances as well as advances on other woods not directly in competition with coast woods.

During the latter half of 1919 the runaway market made it possible for the western pine manufacturers to advance their prices beyond those of the coast manufacturers. As shown in another connection (p. 107) a conference of sales managers held in December expressed the opinion that dimension should be advanced \$4 per M above the coast list. On February 19, 1920, F. W. Lewis wrote Secretary Cooper, stating his desire to see "prices somewhat standardized if possible," and further:

This district started out a year ago to follow the Coast and we have not done it, but that was hardly to be wondered at, as the Coast is as far out of line as we are. \* \* \* I feel that members of the Western Pine Manufacturers have been extremely lax in attending meetings in the last several months and I do not think we have had meetings enough. While everyone is asking the price he figures lumber is worth, I do not think we should meet with reference to prices any more than we have in the past, but I do think we should have meetings a little oftener and discuss the situation and get a line on each other's views.

On March 6, 1920, which was after the announcement by the Weyerhaeusers that prices would be reduced and guaranteed against further increase for several months, the Blackwell-Panhandle sales office circularized its sales connections and some of its competitors, criticizing the Weyerhaeuser policy and stating:

I understand 127 mills on the West Coast are holding firm on prices, and have heard of no one cutting prices in this district. As soon as the transit cars which the Coast Wholesalers have out are cleaned up, buying will be very brisk, as the Weyerhaeuser interests can not furnish but a small amount of the lumber needed.

#### COOPERATION BETWEEN WESTERN PINE MANUFACTURERS' ASSOCIATION AND CALIFORNIA AND MINNESOTA PINE PRODUCERS.

The pine lumber produced by members of the Western Pine Manufacturers' Association is especially adapted for use in the manufacture of the finer grades of sash and doors. This is true particularly

of the Idaho white pine. Other woods extensively used for the same purpose are the white and sugar pines of eastern California and the northern white pine of Minnesota. The lumber for such purposes is cut in special sizes and thicknesses and is known as "factory" or "shop" lumber.

The Weyerhaeuser interests are the dominant influence in the production of both Idaho and Minnesota white pine, but the Shevlin-Carpenter interests are also important factors in both fields. It is apparent that the price policy followed in one region may be quickly reflected in the other, under such circumstances, if the parties dominant in timber ownership and production so desire. Thus, on July 21, 1919, T. A. McCann, manager of the Shevlin-Hixon Co., of Bend, Oreg., wrote the Blackwell-Panhandle sales office, a competitor, describing advances just made and stating:

This is identical with the advances made by Northern Pine interests and we have applied them to our Western Pine also.

The relations between the Western Pine Manufacturers' Association and the California producers, however, are more typical of the cooperative methods of lumber manufacturers of different groups, when entering common markets. The California white and sugar pine manufacturers have three organizations, one known as the California White & Sugar Pine Manufacturers' Association, and the others the California Sugar & White Pine Co. and the California Pine Box Distributors. The two latter are cooperative selling agencies.

On November 25, 1918, Secretary Cooper circularized the members of the Western Pine Manufacturers' Association, advising them of the current market prices on shop lumber, and admitting that "California, in isolated instances, has made prices somewhat below this."

On November 29, 1918, R. E. Irwin, of the Boise-Payette Lumber Co., a Weyerhaeuser company, wrote I. N. Tate, assistant manager of the Weyerhaeuser Sales Co., describing the prices recently agreed upon at a meeting of association manufacturers, and adding:

I am writing practically all of the big shop producers in California to "feel them out" and see what they think of the shop situation and am also advising them what our prices are but that we are perfectly willing to get more.

Early in January, 1919, a meeting was called to discuss the price of shop lumber. On January 6, F. W. Lewis wrote Secretary Cooper in part as follows:

However, I have a few things I would like to mention with reference to price on Shop lumber. While I am thoroughly convinced that low grade Shop is far too low as compared with No. 3 and No. 4 Boards. However, the question arises, are we going to be able to maintain the present values of No. 3 & No. 4 Western Pine? A number of our neighbors, as you know, for some time have been selling these Boards at from \$1.00 to \$2.00 off card and the question is, are they going

to get into the harness with the rest of us and all pull together and quote whatever price is decided we should ask for Shop. I wish they would thoroughly make up their minds to absolutely stick for that price. From all indications, the large factories in the East are going to place their Shop orders within the next four or six weeks, and there is no doubt but with the prices that the California people are now asking we can at least get our present asking price on Shop or possibly a trifle more.

Prices on shop lumber were advanced at a meeting held on January 7. California producers were represented at this meeting.

Mr. C. R. Wisdom, of the Red River Lumber Co., San Francisco, Calif., in a letter to Mr. R. E. Irwin, of the Boise-Payette Lumber Co., dated July 3, 1919, refers to what probably was this meeting in the following language:

No doubt you recall the conference we had in Portland last January, regarding factory lumber prices, the result of which enhanced our values considerably, and our Company. Besides the writer is in favor of conferences of this nature.

Mr. R. E. Irwin, sales manager of the Boise-Payette Lumber Co., one of the Weyerhaeuser companies, on June 16, 1919, wrote F. F. Sayre, of the California Sugar & White Pine Lumber Co., of San Francisco, the selling agency of the California pine producers, in part as follows:

We have just made an advance on practically everything on our list with the exception of shop, and just as soon as these lists are out of the printer's hands, we will see that you get copies of same.

The California company replied under date of June 20, stating in part:

We note that you have not advanced your prices on Shop. California is very low on Shop grades; has practically nothing in White Pine, to sell. We feel that our prices, if anything, are low.

Believe that you can follow the advance we have made and by so doing move all of the lumber in the Shop grades there are for sale.

Would be very glad to cooperate with you in every way and discuss all matters of mutual interest, to a full and complete understanding.

On June 24 Mr. Irwin, the Boise-Payette Lumber Co.'s sales manager, again wrote the California Sugar & White Pine Co. this rather frank statement:

I have spent considerable time with the competing mills in the territory trying to get the shop situation lined up. We would have had no trouble in getting a very much better price for shop in this territory this spring, as we had very little cut ahead, had not some of the California mills quoted as low as \$39.50 on the Mississippi River for shop; this was one of the big mills in your territory.

I have written several letters in the last week to the mills in our local territory with a view to taking up with the manufacturers in California and seeing if we could not arrive at some different basis of marketing shop.



We wish to assure you that Boise-Payette will cooperate in every way with the manufacturers in this territory and California with a view to obtaining better results and better prices for our products.

On June 20 the Boise-Payette Lumber Co. wrote the Weyerhaeuser Sales Co. in part as follows:

There is a movement on in this territory to try to get an advance on shop lumber. This, of course, will not affect us very much now.

The writer has spent a lot of time trying to get our shop up to the present prices and found on his trip down the River that the Red River people had taken lots of shop business from that territory on a \$39.00 basis last winter, and are now unable to deliver it.

The California people really make the price on shop and we understand they are considerably stronger than they were some time ago. We do not think there is any question but what a \$2.00 advance on shop would be easily gotten but this, of course, would not affect us at the present time.

Mr. R. E. Irwin, of Boise-Payette Lumber Co., on June 20 also wrote T. A. McCann, general manager of the Shevlin-Hixon Co., and who also was president of the Western Pine Manufacturers' Association, regarding an advance of prices on shop items in the following language:

We had a visit from Mr. Sayre, but I was away when he was here. We have also had some correspondence with him and I believe the time is ripe when we should go down into the California territory, get hold of such people as Sayre, the Red River people, McCloud—etc. and I think we could revolutionize the shop business.

Unquestionably, shop has been sold cheaper than any other grade of lumber, considering what you give them. From information which I think is authentic, I could tell you that the Red River people last year sold No. 2 shop on the Mississippi River at a \$39.50 basis; they are so badly oversold that they are not making deliveries. You of course realize that these people are, and always have been, pretty hard to hold in line. I would be glad to work with you, however, with the California people and believe we could arrive at a basis of understanding that would greatly change the methods of handling and selling shop.

The Mr. Sayre, Red River people, and McCloud referred respectively to F. F. Sayre of the California Sugar & White Pine Co., the Red River Lumber Co., and the McCloud River Lumber Co., all manufacturers of California woods and not members of this association. Mr. McCann replied to Mr. Irwin's letter on June 23, stating:

I have not taken up with the Association in regard to the Shop proposition and am glad to get your information. I will be only too willing to accompany you or any one into the California territory in order to get this Shop matter on the right basis. You know we have been working to have a joint association so that although it is not one with identical membership, it will at least be on an affiliated basis between the Western Pine and California Pine.

A meeting of the Western Pine Manufacturers Association was held on June 27, and prices generally advanced, as shown elsewhere

(p. 106). The action of the meeting with regard to shop lumber prices and their relation to California manufacturers were described by T. A. McCann, president of the association, in a letter of June 30, as follows:

We did put 4/4 Shop up \$2.00; No. 3 Shop \$1.00; No. 2 & Better Shop \$2.00. This leaves it on identically the same prices as the last market sheet from California, so that it was arranged for a Committee, composed mostly of mills who have Shop contracts, to go down and interview the California men with an idea of getting our Shop prices somewhat in line with our Common prices, so that the absurdity under which we are now operating will not continue.

Mr. McCann also wrote Mr. McGavic, of the McCloud River Lumber Co., McCloud, Calif., with a view to arranging a joint conference between committees from the two districts.

Mr. R. E. Irwin, of the Boise-Payette Lumber Co., one of the Weyerhaeuser companies, wrote the McCloud River Lumber Co., of McCloud, Calif., on June 30, stating in part:

I have just returned from a meeting of the Western Pine Manufacturers Association at Spokane, where it was the consensus of opinion that prices on shop lumber should be: 4/4 Shop, \$39.00; 5/4 and 6/4 Shop No. 3, \$36.50; No. 2, \$42.50; 8/4 Shop No. 3, \$37.50; No. 2, \$42.50; No. 1, \$52.50; No. 1, \$56.50.

It will be remembered that Mr. Irwin on June 21 and June 23 had notified two California companies that his prices on shop were No. 1, \$50.50; No. 2, \$40.50; No. 3, \$35.50, on a 57-cent rate. At the same time Mr. Irwin also wrote J. D. Spaulding, of the California Sugar & White Pine Co., making an almost identical statement. On the same day Mr. Irwin also telegraphed Mr. Spaulding as follows:

Inland Empire Shop prices have advanced to following basis f. o. b. Mississippi River Points five and six quarter thirty six fifty forty two fifty fifty two fifty one dollar spread on eight quarter three four dollars spread on eight quarter two and better.

This telegram was acknowledged by Mr. Spaulding in a letter dated July 1.

In a letter written July 15, Mr. Irwin further stated to Mr. Spaulding:

Up until the last meeting at Spokane, the price on shop was \$35.50, \$40.50 and \$50.50. This was the market on Western Pine shop and most of our shop has been sold at that figure.

At the last meeting in Spokane, the price was advanced as per my wire to you. This was, in the opinion of most of those present at the meeting, the market on shops and these are our prices at this time.

On July 8, R. E. Irwin, of the Boise-Payette Lumber Co., wrote L. S. Case, of the Weyerhaeuser Sales Co., outlining what the proposed conference hoped to accomplish in the following language:

I have been appointed chairman of a committee to visit the California mills and I am arranging with Mr. McGavic, Mr. Wisdom, Mr. Spaulding and the

Weed people to go over this situation with them. As a matter of fact, they are beginning to realize that we are real competitors of theirs in shop in the Western Pine Market.

What I am anxious to do is to get this spread between our No. 2 and No. 3, or in other words: Get our price up about \$2.00 higher on No. 2 shop than it is at present and have the same spread between the No. 2 and the No. 1 or \$10.00. While this would not particularly affect us this year, we believe it would have a very beneficial effect on the shop market. Then, we could all cut for No. 2 and better shop and, with this spread, the factories would not complain about taking the percentage of No. 3 that we would get from the fall down in going through our kilns and shopping.

There is also some discrepancy between our prices and California prices on selects. We are lower in some instances and higher in others. These should be evened up.

We all felt that the time was nearly ripe for a movement of this kind and, as soon as we can arrange for this meeting, I will go down to California and go over the situation with them. If we can get this spread on shop and also get our selects evened up, it will mean forty or fifty thousand dollars per year for Boise-Payette—which you can readily see is worth trying for, and I know that you agree with me that Western Pine shop has been sold entirely too cheap.

Efforts were made to hold the conference on July 30-31, in connection with a joint meeting of the Western Pine and West Coast associations, but for some reason the California mills were not represented. Some of them, however, shortly before the meeting, characterized the advances recently put into effect by Inland Empire mills as "incredible" and one of them, in telegraphing refusal to attend meeting, stated that "can not conceive tremendous advances."

The Inland Empire mills continued to notify the California mills of the advances made, with what result may be judged by an extract from a letter dated August 11, by the Boise-Payette Lumber Co. to the East Oregon Lumber Co. After stating its current quotations on shop, the Boise-Payette Co. said:

Some of the California people are slightly lower than this, but the Sugar & White Pine agency is asking the same price we are for the No. 2 better and \$40.00 for the No. 3.

On November 28, R. E. Irwin, of the Boise-Payette Lumber Co., wrote the Red River Lumber Co., of Westwood, Calif., of substantial advances recently made and stating:

Some time ago I made a prediction that 5/4 and 6/4 No. 2 shop would go to \$60.00 on a 57 cent rate; we are approaching that very closely now.

R. E. Irwin, on December 8, 1919, wrote R. M. Pray of the Red River Lumber Co., Westwood, Calif., in part as follows:

I have your very valued letter of the 2nd and thank you very much for the information. Just as soon as I can get in touch with Mr. Case and some of the Weyerhaeuser mills in the north, I will talk over the shop situation with them, as we want to keep our shop prices about in line with the California prices.

Advances made by the Inland Empire mills in December, 1919, were also promptly communicated to the California producers.

### RESTRICTION OF PRODUCTION UNDER AUSPICES WESTERN PINE MANUFACTURERS' ASSOCIATION.

In considering curtailment of production among the members of the Western Pine Manufacturers' Association, it should be remembered that the great bulk of their output is controlled by a very few groups, the more important of which have been mentioned in another connection.

The association issues a weekly barometer similar to that gotten out by the Southern Pine and West Coast Lumbermen's Associations (see p. —). This shows graphically the relation of the members' combined current production to current orders and shipments, and the relation of actual production, orders, and shipments to the "normal" production. The members are accustomed to compare their combined yearly business and to estimate their individual production for the ensuing year in the light of the preceding year's business. The individual estimates are then compiled and distributed by the association. Thus, the estimate for 1919 showed a decrease of 70,000,000 feet as compared with 1918, notwithstanding the stimulus of high prices. In 1916 a concerted curtailment of 20 to 25 per cent was carried out in the territory of the association. This was apparently more for the purpose of supporting similar movements in southern pine and Douglas Fir than because of the western pine situation, since it was conducted in the face of a shortage of stock in the Inland Empire. Curtailment by the elimination of night running was also the subject of discussion among the association mills in 1917, but the results of the discussion upon production were not disclosed by the investigation.

The sort of advice given the members by the secretary as to their production is illustrated by the following extract from a circular dated January 13, 1916:

What the market will be beyond the first five or six months of the year rests entirely with the manufacturers of the country. Reasonable restraint in production will make 1916 a banner year. Any disposition to greatly extend production is liable to spoil the second half of it.

This is a word of warning which we think every manufacturer should take to heart personally.

On June 6, 1916, J. P. McGoldrick, of the McGoldrick Lumber Co., Spokane, Wash., wrote Chas. E. Patten, of the Atlas Lumber Co. of Seattle, stating:

It is absolutely essential that there should be a general curtailment commensurate with the demand, and in the South they have already started their curtailment, so that it is up to the Coast to follow suit, as the South, as I understand it, is very much afraid of the Coast situation.

Important curtailment movements were organized and carried out in the South and on the coast during the summer of 1916.

The success of the curtailment policy among the mills of the Western Pine Manufacturers' Association was stated by F. W. Lewis, sales manager of the Blackwell & Panhandle sales office, a prominent member of the above association, in a letter dated July 20 which was printed in the July 28, 1916, issue of "Business and Lumber Trade Conditions," a publication edited by the editor of the St. Louis Lumberman at St. Louis, Mo.:

In the Inland Empire the logging operations are being curtailed all of the time, and the Blackwell & Panhandle lumber companies are running only day shifts. They closed the last one of the night shifts July 15th. In our estimation, the curtailment will probably be in the neighborhood of 20 per cent or 25 per cent, based on 1915 figures. Our lumber stock is very short, and with the present volume of business, there is no question but the lumbermen will go into winter with a very light stock of dry lumber. We are reasonably sure the market will be very firm this fall.

The councils of the association, even during the war, were frequently directed toward procuring a concerted curtailment of production. Thus, at the semiannual meeting of the Western Pine Manufacturers' Association held on August 1, 1917, the following developed, as shown by the official minutes of the meeting:

Various members then related conditions in their localities and it was suggested that a roll call be taken of members present to determine what their curtailment would be during the year as compared with what they had originally planned to produce. It developed that most of the members present and a few who were not present, but whose conditions were known, there would be a curtailment of approximately 308,000,000. It was stated that the coast mills were probably not producing at that time more than 30% of what they would produce were labor conditions normal.

Labor difficulties were undoubtedly a factor in war-time production but that factor was only one of many which the association members discussed with a view to a harmonious policy.

In November, 1917, Secretary Cooper wrote T. A. McCann, manager of the Shevlin-Hixon Co., arguing strongly for a reduction in output by elimination of night running. Mr. McCann refused to consider the suggestion. Secretary Cooper then wrote in part as follows:

As a matter of fact, I don't think we are going to be able to produce enough to approach over production, as labor and other conditions are going to pretty nearly fix our condition for us. My plan in calling the meeting was to suggest that we get an inventory of everybody's situation and if possible work out through a committee some plan of reducing the output to what we thought could be produced, my own position being that night runs were more essential in some operations than others and that some operations didn't plan to run nights anyway and that it would be much better to take the normal performance of a plant into consideration and then reduce it fifteen or twenty per cent, or whatever was thought desirable, in a way that could be worked out, rather than to try to eliminate flatly any night sawing. However, the most of the

people here seem to think the elimination of the night run was the only solution.

Mr. McCann's position was later reversed on instructions from E. L. Carpenter, president of the Shevlin-Hixon Co., who telegraphed Mr. McCann on February 1, 1918, as follows:

Think four weeks shut down advisable at Bend starting middle this month or last of this week if weather conditions are bad we are going to have to mark time for sixty days and a general slow down of production during the bad weather will be a good thing all around your operatives have been employed practically without vacation for nearly three years and I have no doubt a vacation will be welcomed by most of them will be glad to learn that your association members favor working along these lines necessary readjustment cannot be hurried and we will be wise if we recognize the fact and keep our heads level. Shop common and selects should be advanced.

Early in the fall of 1918 there was a slackening in demand, which had the effect of disturbing the prices of southern pine, Douglas fir, and, to some extent, of western pine. On September 16, 1918, F. D. Becker, secretary of the Montana association, issued a circular to his members, describing a general meeting of Inland Empire operators and sales managers held on September 13. Besides showing an agreement to maintain existing concession cards, the circular contained the following references to curtailment:

A survey was made of the cut to date compared with last year, stock on hand, a review of the orders on hand, and said orders being small in proportion to a year ago.

Many expressions were made in regard to curtailment for the reason that labor was so scarce and that night runs should be eliminated as far as practicable.

On September 18 Secretary Cooper issued a circular in which he said:

My own belief is that the immediate need is a reasonably general curtailment perhaps on the part of all mills in our own territory, and on the part of the majority of coast mills, or at any rate those who are not sawing ship timbers or airplane stock.

The minutes of a meeting of the Montana Lumber Manufacturers' Association on September 20, 1918, contain the following with reference to curtailment:

At a preliminary meeting held the night before \* \* \* there was some discussion in regard to \* \* \* curtailment. \* \* \* Market conditions were taken up and discussed from every angle thought of, and it looked to the members as if something had to be done towards curtailment and the secretary reported that in the month of July, shipments of the Montana mills to Montana trade were about 25% of what they had been in the same month the previous year and in the month of August the shipments had been about 18% that month that they were the month in the previous year. At the same time the cut up to the first of September was greater than Sep-

tember 1917 and the stock on hand was considerably greater than a year ago.

\* \* \*

The War Industries Board Program was then discussed at length resulting that due to shortage of labor, much curtailed market, large stocks on hand, etc. that a general curtailment of manufacturing seemed necessary. The Secretary then referred to his cut and shipments report and making comparisons with the year previous, all of which indicated that it would be very advisable from a patriotic standpoint to reduce production as much as possible and reports from the Inland Empire and other sections of the U. S. also indicated that general curtailment seemed to be in order.

On September 28 J. P. McGoldrick wrote T. A. McCann in part, as follows:

I admit the law of accidents and although we do not expect it, the war may be over this year or next. With the attitude of the Government as to non-essentials necessary in the interests of the prosecution of the war, I think it only good judgment for individual curtailment of output and selective logging as much as possible. This being true whether a company has been operating two shifts or one shift. Those operating two shifts to curtail to one, those on one shift curtail in length of time.

It is impossible to secure an equitable curtailment for various reasons. Mills in Montana producing 50% or over of fir and larch will certainly be in a poor position to market their product as against the Coast and the restriction as to domestic building. I feel that the embargo and the building restrictions as a general rule will be proven by the exceptions, but the exceptions will take time and effort. Manufacturers individually and in districts will combat the general restriction policy and I feel that the Inland Empire should be represented early in the game.

On October 25 Mr. J. P. McGoldrick, of the McGoldrick Lumber Co., wrote a letter to Mr. Cooper, the association secretary, in which he said:

I am calling a quiet meeting of a number of the manufacturers for tomorrow afternoon at two o'clock so as to get the concensus of opinion as to the proper course to pursue in this district in regard to curtailment, maintenance of prices, and joint cooperation in soliciting indirect industrial war requirements. Would it not be well for Montana and Eastern Oregon to hold a meeting prior to the 30th so that each director will be fully advised?

On October 28 Secretary Cooper issued a bulletin to the members, as follows:

As you are doubtless aware, there has been considerable curtailment on this year's production in our territory. You are also aware that our position has been all along that we were willing to curtail to meet war emergencies, and advocated other districts doing their proportionate share.

In order that we may have exact facts and figures, will you advise me promptly exactly what you are doing to curtail this year, what reduction in output it will result in and how much you plan to curtail and in what way during the coming year?

This information will be of value to our representatives in Washington in showing our good faith. As we are actually curtailing to a considerable degree, we should make use of the fact.

Don't put this off. Please send in the information I am requesting by return mail.

The dullness in the lumber market which began early in the fall of 1918 continued after the armistice. The willingness to curtail production lost nothing by the sudden cessation of hostilities. An association meeting was called for November 21. Writing to the secretary on November 13 with reference to the urgency of the meeting, J. P. McGoldrick, of the McGoldrick Lumber Co., suggested that each member present a comparative statement of the cut, sales, and stock on hand for the preceding four years, and added:

These four years should be fairly representative as to demand and production and on which base our regulations for the year 1919.

Secretary Cooper urged the members to bring such information to the meeting.

The official minutes of the association's annual meeting in February, 1919, contain the following:

It was also moved that the secretary get information on production for the coming year and find out who planned to run one shift and who planned to run two.

Further information on this point is found in a letter of February 14 written by B. H. Hornby, of the Dover Lumber Co., one of the Weyerhaeuser group. Writing as one who had been present at the meeting and outlining the three chief subjects of interest brought before it, Mr. Hornby said:

Third, Contemplated Production for 1919; This question was brought up, as it was rumored that a number of the mills were quietly laying their plans for day and night runs, at the same time agitating the question of one shift only, and to serve notice on such plants that a like move was contemplated by other mills.

The general shortage of supply became pronounced by July, 1919, and was seized upon by the association members to make a radical advance in prices effective July 14. The Blackwell-Panhandle sales office, in notifying its salesmen as well as association members of its concurrence in the advance on July 15, said:

Owing to the curtailment as well as high cost of production it has become necessary for us to advance our prices over card No. 7 as follows.

Notwithstanding the "incredible" and "anarchistic" prices put into effect in the summer of 1919, the continued shortage of production worked to the advantage of the manufacturers and the association formed the medium through which the members conferred on the matter. The production of western pine for the year 1919, as shown by the association barometer, was about 960,000,000 feet, as against orders of about 950,000,000 feet and shipments of about 830,000,000 feet. The production for 1919 had been estimated in ad-

vance at 1,340,000,000, as against an actual 1918 production of 1,400,000,000. The facility with which the production planned was modified to accord with the orders placed is worthy of note.

#### ANALYSIS OF PRODUCTION POLICY DURING 1920-21.

In the fall of 1919 the members estimated that their combined production for 1920 would not reach 75 per cent of normal, notwithstanding still higher prices than those of the summer and the menace of a lumber famine.

Until February, 1920, prices continued to ascend and orders placed more than absorbed the current production. The American Lumberman of February 7, 1920, stated in its market comment on western pine:

Logging operations are going forward encouragingly and the mills expect a production this year considerably in excess of the 1919 cut, and furthermore expect a ready market for every foot of output.

When the market had reached its peak in March, 1920, the Blackwell-Panhandle sales office circularized its sales connections and some of its competitors, criticizing the cut in prices by the Weyerhaeuser mills, stating that prices were firmly held by itself and others, and also stating:

Do not look for our prices to be reduced until we can reach at least 75 per cent of normal production, which will not be this year. Other mills are in the same boat.

During the early spring of 1920 the relation of orders to production fluctuated from week to week, orders sometimes being above and sometimes below the production. By May 22, the total cut for the year had overtaken and passed the total orders and about May 15 orders suddenly dropped to about 50 per cent of the weekly production, and in June to less than 40 per cent. During May and June, nevertheless, the weekly production ran rather consistently above normal. The trend of prices about this time was unmistakably downward, but they were still sufficiently attractive to keep the weekly production in excess of normal until October, when it fell sharply, and continued far below normal until the end of the year.

The total actual production of western pine by association members for 1920, as shown by the barometer, was about 1,175,000,000 feet, equivalent to about 80 per cent of normal. It will be remembered that the members had estimated their 1920 production at less than 75 per cent of normal, but in February the mills were expecting a considerable increase in output over 1919. This increase over the 1919 production was no doubt due to the unusually attractive prices which prevailed during the greater part of the year. Orders for the year were only two-thirds of the production, which accounted

for the declining market during the last several months of the year.

From the beginning of 1921 until April the association barometer showed a consistent excess of orders and shipments over the weekly production, which had been reduced to about 20 per cent of normal. Late in April and during May, however, orders and shipments fell off sharply and production exceeded them. The effect of this upon production during such a favorable sawing season caused comment in the trade press.

The American Lumberman of May 7, 1921, commented as follows:

Manufacturers of western pines are experiencing on the whole a decided betterment in the volume of inquiries and an increasing number of them are resulting in orders. Business booked, however, is far below normal and this situation is reflected in the late resumption of sawing activities thruout the western pine producing regions. In the Inland Empire, for example, where manufacturing is normally at this time in full swing, it is only approximately 50 percent of normal and, judging from reports, it will be some time before production proceeds on a normal basis, if at all this season. It is certain that the total production for 1921 will be much below that for 1920.

The issue of May 21, 1921, contained the following:

The upper grades remain firm in price while shop prices seem to have stopped declining, but here and there concessions in common grades are to be obtained. Of course, if the buyer is after a particularly large block of stock some concessions can be obtained, but nevertheless prices are gradually being stabilized, as the knowledge is going forth that stocks are anything but large. In the Inland Empire the demand is increasing slowly and is of such a nature that stocks on hand are becoming broken even in this section, where large stocks are usually carried by the manufacturers. Production is very slow about getting under way and it is evident that it is as yet below the level which will permit manufacturers fully to fill up the holes made in stocks by orders already booked.

The barometer reports of the Western Pine Manufacturers' Association show that during the summer of 1921 the total weekly production usually exceeded the total orders and shipments. In September, orders and shipments took the lead over production to such an extent that by the end of December production for the year as a whole had fallen slightly behind orders and shipments. The total cut for 1921 was about 765,000,000 feet, the total orders about 795,000,000, and the total shipments about 797,000,000 feet. In other words, stocks on hand were lower at the end of 1921 than at the end of 1920.

The shortage of mill stocks in the Inland Empire was the subject of comment in the trade press, as an accompaniment of the price advances which took place in the fall of 1921. Thus, the American Lumberman of December 24, 1921, referred to the optimism of southern Oregon manufacturers and stated:

Stocks of upper grades and Nos. 1 and 2 shop, here as in the Inland Empire, are unimproved, and it is believed that the mills will be totally cleaned out before new dry lumber begins to come in.

The association production of less than 800,000,000 feet during 1921 is in striking contrast to an output of about 1,400,000,000 feet in 1918, a production of about 960,000,000 for 1919, and of 1,175,000,000 for 1920. It is also in contrast with the current shortage of mill stocks, as above indicated, and a normal production more than double the actual.

As shown in another connection (pp. 113-114) prices have already responded to the reduction of output below the current demand and have made marked advances, with a strong prospect of further increases during the spring of 1922. That the manufacturers realize that their power over the market is conditioned upon a restriction of production even below the low figures of 1921 is indicated by the following extract from the American Lumberman of January 14, 1922:

The mill of the Craig Mountain Lumber Co., at Winchester, Idaho, is operating one shift, while the planing mill is running intermittently to fill orders. Most large mills of the district are shut down for the winter. The Craig Mountain company also has a full crew at work in the woods, whereas *most other companies are materially curtailing their production as compared with last year.* "There is still a strong demand for shop lumber," said E. H. Van Ostrand, president, who was in Spokane from Winchester this week. "We have been obliged to withdraw from the market for the next thirty days. We have cut 1,000,000 feet of shop lumber in the woods in the last month. We look for a much better business this spring." "Yes, we expect a much better business this year," said J. P. McGoldrick, president of the McGoldrick Lumber Co., standing nearby, "*but we are not going to cut our heads off. I do not expect this year's cut to average more than 50 per cent of last year's. Is that a fair estimate, Mr. Van Ostrand?*" "Well, I should say between 50 and 60 per cent," said Mr. Van Ostrand. "Inquiries are coming in freely," continued Mr. McGoldrick, "and we look for an increase of business to start in considerable volume about the first of March. We have about 60 per cent of our usual number of men in the woods, and when our mill starts this spring it will operate one shift instead of two." (Italics by the Commission.)

#### LONG CONTINUANCE OF FOREGOING ACTIVITIES BY WESTERN PINE MANUFACTURERS' ASSOCIATION.

The use of the association as a medium for concerted action on prices is not of recent growth, though the openness of the methods is in striking contrast to the methods in vogue at one period. The organization was first formed as the Western Pine Shippers' Association, and from its inception in 1905 undertook the promulgation of uniform, standard prices. During the period between 1907 and 1914 the price activities of the association were conducted more or less under cover, the price lists being issued under the name of certain printers and the connection of the association's price committee therewith being veiled.

The Bureau of Corporations' report on the lumber industry in 1914 (Part IV) made only slight reference to the Western Pine

Manufacturers' Association, but the bureau nevertheless had obtained data indicating that this association was following a price policy similar to that of other associations. Within a few months after the publication of the bureau's report the Western Pine Manufacturers' Association came out into the open with its price activities and had carried them on without a break till the close of the Commission's investigation in the spring of 1920.

Between 1907 and 1914 the association price list was issued under the name of the Shaw-Borden Co., printers at Spokane. The direct connection of the association with the Shaw-Borden price list was shown in a letter dated October 9, 1912, to the Grande Ronde Lumber Co., in which the secretary said:

I had fully intended to advise you some days ago that we succeeded in making the change talked over at La Grande in the Shaw-Borden List.

On the same day the secretary wrote to the Cascade Lumber Co., North Yakima, Wash.:

You have doubtless received by this time, a copy of the new Shaw-Borden List of Oct. 1st, and if you get it you will note that 6" No. 3 Western Pine has been raised \$2.00 on the list.

\* \* \* \* \*

This change was made to put the list in line with Eastern Oregon, as at our meeting in La Grande we found that Eastern Oregon mills were obtaining higher than existing list price on 6" No. 3 Western Pine.

Another letter on the same day was written by the secretary to Mr. Vincent Palmer, of LaGrande, Oreg., which said:

The recent concession sheet shows a discount of \$2.00 on 6" No. 3 Western Pine, as we have changed this on the new list which has just been issued, raising the list price \$2.00 to get it more in line with the Eastern Oregon prices. This was in accordance with the ideas expressed at the LaGrande Meeting.

The decision to have the association openly sponsor the Shaw-Borden list in the future and the tacit admission that it had secretly done so in the past, appear in the following extracts from a letter of January 18, 1915. Writing to J. R. Toole of the Anaconda Copper Mining Co., of Bonner, Mont., Secretary Cooper said in part:

At the meeting here Saturday of the sales managers, it was voted unanimously to have the Association get out the Shaw-Borden price list.

\* \* \* \* \*

The objection that it might be misconstrued by the government is one that I personally do not believe we need consider, for I do not see legally what difference it makes whether this list is published by the Shaw-Borden Company or by the Association. The government certainly understands what a price list is by this time, after seven years of investigating, and I think they pretty thoroughly understand what the Shaw-Borden list was.

There were also occasional efforts to restrict production by means of organized propaganda during the earlier years of the association.

U.C.L.



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